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ALTERNATIVE STRATEGIES FOR NATIONAL INDUSTRIAL PLANNING  
IN THE UNITED STATES, 1929-1933

by

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## ABSTRACT

This study examines the origins of the N.I.R.A. (1933) with particular reference to its industrial planning features. It argues that the Act's form was influenced by the interplay of three strategies for national industrial planning which were current during the early years of the depression and of the attempts made to implement them as public policy. Despite widespread support for the application of systematic planning to the economy, there was no agreement on how it should be conducted. Three strategies for national industrial planning commanded support: 'voluntary associationism', developed by President Hoover; 'trade associationism' promoted by the business community; and 'central planning' favoured by left-wing intellectuals and organised labour. Of these, only voluntary associationism achieved the status of public policy during Hoover's presidency, but its shortcomings prompted supporters of rival approaches to attempt to influence government policy. However, attempts to establish a national economic council and to amend the antitrust laws were unsuccessful. Hoover persisted with voluntary associationism until the end of his term of office despite its shortcomings, which were illustrated by the failure of The Share-the-Work Movement in 1933. The politics of industrial planning had become deadlocked by 1933. Experimentation with alternative approaches was prevented by divisions amongst the planners themselves: in particular, the business community resisted an economic council, and President Hoover opposed changes in the antitrust laws. Roosevelt's election and the context of crisis in which he assumed office revived the prospects for the various approaches. Elements of each were included in the administration's Recovery Act, although trade associationism was dominant. Of the three strategies only the trade association movement had gained strength as the depression continued, and by 1933, it was not handicapped with either the stigma of failure or the liability of a limited constituency in its support.

## CONTENTS

Acknowledgements	i
Introduction	1
1. Prelude to Planning: The Renouncement of 'Laissez-Faire' 1929-1933	30
2. The Hoover Approach to Planning: Voluntary Associationism	84
3. The Business Community and Planning: Trade Associationism	123
4. Planning Through Central Direction: The Approach of Organised Labour and the Intellectuals	171
5. The Movement to Establish a National Economic Council, 1931-1932: Central Planning and the Problem of Consensus	214
6. The Movement to Revise the Antitrust Laws, 1931-1932: Trade Associationism in Abeyance	246
7. The Share-the-Work Movement, 1932-1933: The Failure of Voluntary Associationism	288
8. Industrial Planning, Politics and Crisis, 1933: The Making of the N.I.R.A.	322
Conclusion	368
Appendix: Proposals and results of Referendum No. 58, On the Report of the Chamber of Commerce's Special Committee on Continuity of Business and Employment	375
Bibliography	377

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## INTRODUCTION

### (i) Economic Planning in the Context of the Depression, 1929-1933.

"It is a singular fact," the economist, Myron W. Watkins wrote in 1933, "that economics has popular appeal, arouses widespread interest, only when its dominant note is tragedy .... A 'dismal science' becomes at least a subject of lively concern."<sup>1</sup> Watkins referred to the upsurge of interest in economic planning in the United States which was evident in contemporary scholarly and popular texts, the impulse for which was provided by the economic depression.

Empirical studies have confirmed the economist's opinion. Hornell Hart's survey of 1933 into magazine attitudes to business conditions noted an increasing interest during the early period of the depression in both industrial stabilisation and economic planning. This interest peaked during 1932, the point at which the same magazines were most pessimistic about the prospects of a business revival.<sup>2</sup> Hart's findings were corroborated by a more comprehensive study of journal opinion which appeared in Social Forces in 1934. The survey covered the period, 1923-1934, and focussed on the interest in economic planning as revealed by 164 leading periodicals. It discovered that the number of articles incorporating the word 'planning' in their titles increased from 188 in 1929 (the high-point of the decade) to 401 by 1932.<sup>3</sup> More recently, the

1. Myron W. Watkins, 'The Literature of the Crisis', Quarterly Journal of Economics 47 (May, 1933): 517.
2. Hart's findings were based on entries in the Reader's Guide to Periodical Literature and a sampling of a selection of large and medium circulation journals. Hornell Hart, 'Changing Opinions about Business Prosperity: A Consensus of Magazine Opinion in the U.S., 1929-1932', American Journal of Sociology 38 (March, 1933): 665-686.
3. The distribution of titles on 'planning' during the early years of the depression are as follows: 1930 - 210; 1931 - 365; 1932 - 401; 1933 (first six months) - 197. Evelyn C. Brooks & Lee M. Brooks, 'A Decade of "Planning" Literature', Social Forces 12 (March, 1934): 427-430.

historian, Peter G. Filene, has correlated the number of books on Russia written by American authors with political and socio-economic developments in the United States and the Soviet Union. He has found that more books were published on Russian topics during 1931 and 1932 than in any one year since the Bolshevik Revolution of 1917 and suggests that the reason lies in the impatience of Americans with the continuing economic depression. The deepening depression stimulated consideration of alternative forms of economic organisation which would furnish stability, and during the early depression the Soviet Five-Year Plan attracted particular attention.<sup>4</sup>

The gravity and persistence of the depression in the United States was the most powerful factor which stimulated interest in economic planning. Unemployment was the most poignant indicator of depressed business conditions and increased from 1,550,000 in 1929 to its depression peak of 12,830,000 in 1933. As a percentage of the civilian labour force, this represented an increase from 3.2 to 24.9% unemployed.<sup>5</sup> But if, as John A. Garraty suggests, unemployment was the most "tragic" and "unjust" feature of the depression, the damaging effects on the business system itself should not be overlooked.<sup>6</sup> In 1933 there were 252,000 fewer business concerns in existence than in 1929. Of these, over 100,000 represented failures, leaving considerable liabilities which amounted to \$928 million in 1932 alone. In 1932 the business failure

4. Peter G. Filene, Americans and the Soviet Experiment, 1917-1933 (Cambridge, Mass., 1967): 287.
5. Ben J. Wattenberg (ed.), The Statistical History of the United States: From Colonial Times to the Present (New York, 1976): 135.
6. John A. Garraty, Unemployment in History: Economic Thought and Public Policy (New York, 1978): 188.

rate was 154 per 10,000 enterprises, the highest since 1878.<sup>7</sup> Those firms which remained in operation faced a shrinking market and declining prices for their products. Between 1929-1932 the Federal Reserve Board's index of manufacturing production shows a decline of almost 50% while for the same years, the Bureau of Labor Statistics index of wholesale prices shows a decline of nearly 30%.<sup>8</sup> The dismal business situation was not revived by new capital issues which fell from \$11,592.2 million in 1929 to \$1,053.7 million in 1933.<sup>9</sup>

The tangible signs of economic downturn which can be expressed in statistical form do not account solely for the immense impact of the depression upon the American consciousness. A psychological dimension existed also, which was associated with American expectations in the 1920s of continued growth and the possibility of realising an 'economy of abundance'.<sup>10</sup> The bitterness of thwarted ambitions combined with the severity of the depression provoked a reconsideration by many Americans of what Theodore Rosenof refers to as "the central tradition"; the equation between free enterprise and political liberties and the concept of the United States as a capitalist democracy.<sup>11</sup> While economic planning was not necessarily in opposition to this "central tradition", it seemed to some to promise the stable economic growth which free enterprise was unable to provide.

7. Wattenberg (ed.), Statistical History, op.cit., 912-913.

8. Ibid., 199; 667.

9. Broadus Mitchell, Depression Decade: From New Era through New Deal, 1929-1941 (New York, 1969): 440.

10. Lester V. Chandler, America's Greatest Depression, 1929-1941 (New York, 1970): 1.

11. Theodore Rosenof, Dogma, Depression and the New Deal: The Debate of Political Leaders over Economic Recovery (Port Washington, New York, 1975): 10-12.



Two other facets of the depression which historians have identified helped to foster this increasing interest in economic planning during the early years of the depression. The first was the emergence of the 'maturity thesis' which accepted that with the passing of the frontier and the termination of unrestricted immigration, the expansionist phase of capitalism in the United States had ended. Stress needed now to be placed on stable development and the nurturing of consumptive rather than productive capacity.<sup>12</sup> A second concept to emerge from the depression was the analogy drawn by reflective Americans between the business slump and wartime. Both William E. Leuchtenburg and Gerald D. Nash have noted the parallels made in the American mind and in government policy between wartime and peacetime crises. During the early period of the depression, reference to the surmounting of the crisis of 1917-1918 was comforting to many Americans who sensed that their nation's prior experience with crisis was didactic. As American involvement in war had demanded rationalisation, coordination, centralisation and a degree of regimentation to come to terms with the logistical demands of the war effort, so the same qualities were required to counter the business depression. Planners' frequent and favourable references to the War Industries Board, which served as the central coordinating agency for the war effort, illustrates the attraction of this analogy.<sup>13</sup>

Finally, the depression was an international experience and the trend towards planned economy was not unique to the United States. Professor Garraty has suggested parallels between the American and

12. Richard H. Pells, Radical Visions and American Dreams: Culture and Social Thought in the Depression Years (New York, 1973): 75.
13. William E. Leuchtenburg, 'The New Deal and the Analogue of War', in John Braeman et al. (eds.), Change and Continuity in 20th Century America (New York, 1966): 81-143. Gerald D. Nash, 'Experiments in Industrial Mobilization: WIB and NRA', Mid-America 45 (July, 1963): 157-174.

European responses to the depression in the 1930s based on increasing government intervention in the economy and the participation of organised economic groups in modes of corporatist planning.<sup>14</sup> Experiments with economic planning in the Soviet Union provided a particular stimulus for American consideration of planning, according to Lewis S. Feuer, through the accounts of visiting Americans to Russia in the late 1920s and early 1930s.<sup>15</sup> The impulse towards economic planning in the 1930s was international and mutually reinforcing between autonomous nation states.

(ii) Economic Planning as a Concept

Advocates of planning sought to stabilise and regularise economic activity by introducing purposeful management into economic affairs. They perceived that economic planning was in opposition to laissez-faire in which the impartial forces of supply and demand determined the quality and rate of economic development, and they distinguished it from the type of ad hoc regulatory action - such as government tariff policy - which sought to secure specific goals but was not integrated into an overall framework of economic policy.

Jan Tinbergen notes that economic planning has three principal characteristics. It is anticipatory in that it refers to the future;

14. John A. Garraty, 'The New Deal, National Socialism, and the Great Depression', American Historical Review 78 (October, 1973): 907-944.

15. Lewis S. Feuer, 'Travelers to the Soviet Union, 1917-1932: The Formation of a Component of New Deal Ideology', American Quarterly 14 (Summer, 1962): 119-149.

it is based on specified aims which determine the planning process, and it requires the coordination of economic policy to achieve these aims. Essentially, the planning process involves the reconciliation of planning aims with forecasts of future economic developments and where the two do not coincide, adjusting policy accordingly.<sup>16</sup> Planning can assume diverse forms and modes, may be directed to particular social or economic ends, involve differing degrees of control of the productive apparatus of an economy and is flexible in as far as the central decision-making necessary to achieve planning objectives. In this latter category, Tinbergen stresses the choice between a centralised or decentralised structure in the planning procedure. Plans may be formulated by individual enterprises according to guidelines established by a central agency, or planning may be imposed on individual enterprises by the central agency. The choice often decides the democratic or elitist nature of planning by determining the number of participants - "outside contacts" - in the planning process.<sup>17</sup>

The institutions which are involved in the planning process may influence the mode and objectives of planning and decide its egalitarian/authoritarian or centralised/decentralised structure. Since 1930 the tendency has been for government to assume increasing responsibility for national planning, as the historian, Otis L. Graham certifies in his recent definition of macro-planning:

16. Jan Tinbergen, Central Planning (New Haven, 1964): 8-10.

17. Ibid, 16-18.

Planning assumes that modern industrial society requires public intervention to achieve national goals; assumes that such intervention must touch all social developments; must be goal-oriented, and effectively consolidated at the center; must be anticipatory rather than characterized by ad hoc solutions and timing dictated by crisis.<sup>18</sup>

However, the historian cannot assume inevitability in the historical process, particularly when alternative patterns of development suggest themselves. In the first years of the depression there was no consensus amongst proponents of planning about the role of government, the desirability of any "consolidation at the center", and the pervasive effect that planning should have on the social structure.

Various approaches to economic planning were championed during the early phase of the depression. The planning ambitions of some Americans were directed exclusively, for example, at achieving agricultural reform or regulating the public utilities. Others sought to use the Federal Government's fiscal and/or monetary powers to achieve economic stability. A further school of planning and the focus of this present study, emphasised the desirability and feasibility of a planned industrial system, in which the production aspects of industry would be regulated to even cyclical fluctuations in business activity and to serve social ends as well as private profit. This approach received its most emphatic expression during the depression in the National Industrial Recovery Act, a keystone of Franklin D. Roosevelt's legislative programme in 1933.

(iii) Economic Planning and the National Industrial Recovery Act

It has become commonplace amongst historians to locate the emergence of national economic planning in the United States in the New Deal of the 1930s which expanded "social management" of economic affairs and

18. Otis L. Graham, Jr., Toward a Planned Society: From Roosevelt to Nixon (New York, 1976): xii-xiii.

capitalised on Americans' readiness to experiment with planning as "a cure for economic imbalances".<sup>19</sup> At the outset of the administration of Franklin D. Roosevelt, the New Deal was closest, in the metaphorical sense, to a "laboratory" and experimentation with economic planning to produce industrial recovery was merely one of its various projects.<sup>20</sup> The centrepiece of early New Deal industrial planning was the National Recovery Administration (N.R.A.) which was created by the enabling legislation signed by President Roosevelt on 16 June 1933.

As William E. Leuchtenburg has noted, the National Industrial Recovery Act (N.I.R.A.) was an "omnibus proposal" which was kaleidoscopic in its various aspects and appeal to diverse interest groups. Labour gained the right of collective bargaining under Section 7 of the Act, together with the advantages of maximum hours and minimum wages stipulated by the government. Deficit spenders were appeased by the inclusion of an appropriation of \$3.3 billion for public works expenditure under Title II of the Act. Business received government authorisation to draft code agreements exempt from the antitrust laws which would facilitate the stabilisation of business by permitting businessmen, organised into trade groups, to eliminate destructive competition, restrict production, control entry into industry and protect capital investments.<sup>21</sup> However, the Act was something more than the pragmatic product of an emergent broker state which bestowed its favours to privileged groups. In its general purpose the Act reflected a particular ideological position about how the business structure was to be

19. Idem, 'The Planning Ideal and American Reality: the 1930s', in Stanley M. Elkins & Eric L. McKittrick (eds.), The Hofstadter Aegis: A Memorial (New York, 1974): 257. Byrd L. Jones, 'A Plan for Planning in the New Deal', Social Science Quarterly 50 (December, 1969): 525.

20. Frank Freidel, FDR: Launching the New Deal (Boston, 1973): 434-435.

21. William E. Leuchtenburg, Franklin D. Roosevelt and the New Deal, 1932-1940, (New York, 1963): 57-58.

reformed and how economic recovery was to be achieved. On putting his signature to the measure President Roosevelt suggested that it represented "a supreme effort to stabilize for all time the many factors which make for the prosperity of the Nation, and the preservation of American standards".<sup>22</sup> Economic planning through the code formulation process was central to the achievement of the Act's recovery and reform objectives.

The aims of the Act, in terms of broad policy, were prescribed in its preamble. Obstructions to the free flow of interstate and foreign commerce were to be removed; cooperative action would be promoted between trade groups; "unfair competitive practices" in industry would be eliminated; consumption would be increased by stimulating purchasing power; unemployment would be reduced, and relieved; standards of labour would be improved and natural resources would be conserved. The principal mechanism for achieving most of these ambitious aims, and the measure's integral conception of economic planning, was contained in Title I of the Act.

Section 3 of the first Title provided the basic content of the law. Trade or industry groups would be allowed to formulate codes of fair competition for their respective sectors and present them to the President for his approval. Certain conditions were attached to the acceptance of codes. They had to incorporate the labour provisions enumerated elsewhere in the legislation and should not permit monopolies or monopolistic practices under their terms. Apart from these caveats the Act gave business a generous flexibility to design codes which would ensure 'fair' practices in industry and would help to stabilise their sectors, although the law did not specify what the codes should contain.

22. Samuel I. Rosenman (ed.), The Public Papers and Addresses of Franklin D. Roosevelt, 13 vols., (New York, 1938-1950) 2 : 246. (Hereafter cited as P.P.A.).

Under Section 5, approved codes were granted exemption from the anti-trust laws, while Section 3(b) made them legally binding once approved. Violations of a code would be treated as misdemeanours within the meaning of the Federal Trade Commission Act of 1914. If trade groups failed to assume the initiative in drawing up codes, Section 3(d) permitted the President to prescribe codes for recalcitrant trades or industries. However, most significant of all the powers granted to the President under the terms of the Act were contained in Section 4(b). This section authorised him to license business enterprises if it was deemed necessary to make effective a code of fair competition.<sup>23</sup>

Although the Act was merely a piece of enabling legislation which committed the President to no definite policy and was vague with reference to the means by which its objectives would be achieved, it was clearly regarded by its sponsors as a deviation from past governmental approaches to economic policy and a first step to committing the Federal Government to pervasive intervention in the economy and fostering stable economic growth through national planning. Roosevelt himself inferred such sentiments on 16 June, 1933, when he declared: "History probably will record the National Industrial Recovery Act as the most important and far-reaching legislation enacted by the American Congress".<sup>24</sup>

The boldness of this intended re-direction of economic policy away from the traditional channels of competitive individualism has been of particular interest to historians in recent years. Scholars have sought to examine the Act and the Administration which it created with a view to understanding the sources and nature of economic planning under the N.R.A. Current historical scholarship is dominated by the conceptualisations of Ellis W. Hawley whose historical method is to isolate

23. U.S. National Recovery Administration, A Handbook of N.R.A.: Laws, Regulations, Codes (Washington, D.C., 1933): 9-25.

24. P.P.A., op.cit., 2: 246.

economic tendencies and establish their relationship to public policy. In his The New Deal and the Problem of Monopoly (1966), Professor Hawley described the N.R.A. as the "triumph of industrial self-government" and the Act that created it as being heavily influenced by business theorists who stressed the virtues of the "associational" approach to planning and the role of private trade associations in the economic planning process.<sup>25</sup> Robert F. Himmelberg has accepted that trade associationism was the central feature of the recovery measure in his recent study, The Origins of the National Recovery Administration (1976), which rigorously traces this approach to economic planning back to the Great War. Essentially, he views the N.I.R.A. as the culmination of a movement which waxed and waned during the 1920s according to political circumstances, but survived to take advantage of the depression crisis to implement its ideas into public policy.<sup>26</sup> Bernard Bellush has also accepted the business origins of the recovery measure. He regards the Act as a defeat for the progressives in Congress and one which allowed the business community the broad license to advance its self-interest at the expense of the national welfare.<sup>27</sup>

There is a danger in making generalisations about either the Recovery Act itself or its origins on the basis of the performance of the agency which it created. Retrospective insight is not always advantageous to the historian in that it may make the historical process less complex and more predictable than it is in fact. Professor Hawley avoided this pitfall in his early work in which he recognised the existence of various "visions" of "the ideal business structure" that

25. Ellis W. Hawley, The New Deal and the Problem of Monopoly: A Study in Economic Ambivalence (Clinton, Mass., 1966): chaps.1-3.

26. Robert F. Himmelberg, The Origins of the National Recovery Administration: Business, Government and the Trade-Association Issue, 1921-1933 (Fordham, New York, 1976).

27. Bernard Bellush, The Failure of the N.R.A. (New York, 1975): 22-25.



were current in the early 1930s. All of these contributed to the making of the N.I.R.A., were reflected in the Act's provisions, and once the Act was in operation, each struggled to gain ascendancy over N.R.A. policy, bedevilling the agency in the process. Even if trade associationism provided the major thrust from the making of the N.I.R.A. to the operation of the N.R.A., it did not constitute the sole impulse behind industrial planning in the early years of the depression.<sup>28</sup>

Hawley's work serves as a reference for this present research which seeks to amplify those approaches to industrial planning which he has identified as being current during the early phase of the depression, and to relate them to the origins of the N.I.R.A. The study does not focus upon the underlying intellectual basis for planning which had been developed since the turn of the century by the related disciplines of philosophy, sociology, psychology and economics. In particular, no attempt is made to appraise the significance of the development of 'institutional economics' during the 1920s and the impact of its leading exponents such as Thorstein Veblen, Wesley C. Mitchell and John R. Commons, on industrial planning during the first phase of the depression.<sup>29</sup> Rather, the study focuses upon those groups which promoted and popularised various strategies for national industrial planning during the period, 1929-1933, and attempted to implement them into public policy.

28. Hawley, *The New Deal and Monopoly*, op.cit., 35-52. See also Idem, 'The New Deal and Business', in John Braeman, et al., (eds.), The New Deal (Columbus, 1975) 1: 61.

29. The challenges of the 'social sciences' to conventional economic theory during the 1920s are discussed in Joseph Dorfman, The Economic Mind in American Civilization (New York, 1959) 4:124-164.

The contention of the thesis is that alternatives for industrial planning existed during the years of the depression which coincided with Hoover's presidency, and that the N.I.R.A. was the outcome of American experience with, and consideration of, these planning alternatives between 1929 and 1933. Two of these alternatives were suggested by Professor Hawley in his early research: trade associationism and collectivism (central planning). The third was suggested in his recent review of Professor Himmelberg's study, where Hawley noted that the author had omitted to discuss the contribution of the approach to planning of Herbert Hoover to the origins of the N.R.A.: voluntary associationism.<sup>30</sup> Like Hawley, the present writer assumes that the N.I.R.A. was most heavily influenced by trade associationism, but insists that this approach emerged out of three conflicting alternatives to industrial planning that were current during the early phase of the depression.

(iv) Three Schools of Industrial Planning, 1929-1933

The disowning of prevailing approaches to economic policy was a prerequisite for national industrial planning. Since the last decade of the nineteenth century, and particularly during the 1920s, a firm intellectual basis for national planning had been established with the development of 'institutional economics'. Economists of this school rejected neoclassical economics for its preoccupation with, and general approval of, the market system and the means by which it allocated resources. They were critical of its disregard for history and historical forces; its neglect of empirical analysis

30. Ellis W. Hawley, 'Antitrust on the Defensive: The American Movement for a Cartelized Economy, 1918-1933', a review article, Reviews in American History 4 (December, 1976): 586.

using statistical methods, and its insensitivity to the nature and functions of institutions - such as corporations, trade associations and trade unions - within the economic system.

During the 1920s, the leading figures in this school were Thorstein Veblen, Wesley C. Mitchell and John R. Commons. Veblen provided a radical critique of the capitalist system by emphasising the incompatibility of entrepreneurial profits with expanding production and technological innovation. Mitchell was noted for his work on business cycles and his insistence that economics have a rigorous empirical and statistical foundation. His researches were instrumental in making Americans aware of both the problem of cyclical unemployment and the need for ameliorative action by society. Commons was concerned with the role and potential of institutions within the economy, especially with respect to the American trade union movement. He was convinced that institutions brought order and rationality to the economy, but advocated a larger role for government to ensure equity and balance within society.<sup>31</sup> In general, 'institutionalism' represented the emergence of a more factual, policy-oriented economics which was critical of competitive individualism as the guiding principle for economic development and which welcomed an enlarged role for government within the economy.

The concerns of the 'institutional economists' were shared by political, business, labour and reform interests during the

31. Dorfman, *Economic Mind*, op. cit. 4: 352-395.

1920s, and during the early phase of the depression they formed a consensus in support of the proposition that purposeful direction of economic development through planning was vital to induce stability. The competitive principle became an object of criticism. Critics referred disparagingly to the persistence of laissez-faire. The phrase served an emblematic function for planners.. Few deluded themselves that the contemporary American economy actually was guided by the interplay of free market forces and unfettered competition. However, the phrase provided a convenient rhetorical target, and its use by planners represented their condemnation of the extent to which nineteenth century competitive ideals had survived in the public policy of twentieth century America.

Three schools of industrial planning emerged from this critique of laissez-faire: voluntary associationism, trade associationism and collectivism. The first was associated with Herbert Hoover; the second with the business community, and the third, with organised labour and the liberal and socialist intelligentsia.

To many Americans Herbert Hoover seemed to embody those qualities most suitable for a president of the United States who occupied office during a period of economic depression. In particular, his engineering background and the reputation he had acquired for using scientific skills in the solution of social problems boded well for his leadership during the economic crisis. The Boston retailer, Edward A. Filene captured this optimism in a complimentary letter to Hoover in 1930:

The engineering mind, of which yours is recognized as one of the best, is the type that is most necessary for the restoration of prosperity, which will come back to stay only as fast as the leaders of our citizenship learn to substitute fact-finding for opinion in trying to cure the present serious depression.<sup>32</sup>

Furthermore, as Secretary of Commerce between 1921 and 1928 Hoover had earned acclaim for his bold and vigorous championing of 'New Era' economics, whereby government, in cooperation with organised, functional economic organisations had worked in tandem to stimulate economic growth. Hoover had been an advocate of the "associative state", which he regarded as a new synthesis between traditional ideals of individualism and self-help and new industrial concepts such as scientific rationalism and social engineering. The aims of the "associative state" were to harmonise social relationships, increase the general standard of living and improve industrial relations. These would be achieved by introducing purposeful management into economic affairs through the collective efforts of government and organised groups such as trade associations and labour unions. Organised into a coherent network, the private institutions would work for national reform, a stabilised economic structure and regularised growth. Government would abet the efforts of these organisations by making available its expertise, fact-finding and publicity resources. However, Hoover was sensitive of the danger that the "associative state" might degenerate into outright statism and was careful to emphasise the voluntaristic aspects of his design. The "associative state" involved no controls by government of the economic apparatus or legal compulsion of organisations. The exercise of such authority would compromise traditional ideals of self-help and individual initiative and abort the delicate synthesis between conventional and

32. Edward A. Filene to Herbert Hoover, 20 December, 1930. Presidential Papers: Box 89 File, Business - Correspondence. Herbert Hoover Library. (Hereafter cited as Pres. and H.H.L.)

modern ideals which was contained in the concept of the "associative state".<sup>33</sup> As revealed in his anti-depression strategy, Hoover remained consistent with these ideals during his presidential period when 'voluntary associationism' became the keystone of his recovery and relief policies and the basis of his ideas about industrial planning.

As the depression deepened, Hoover's policies were considered inadequate by members of the business community who argued for a different role for government than that afforded by voluntary associationism. Some employers, like the manufacturer Ernest G. Draper, believed that the blight of unemployment might promote a positive interest in regularisation of employment through economic planning, but contended that the Hoover approach of passing initiative for planning to industry was unsatisfactory.<sup>34</sup> "We would be guilty of false optimism if we assert that industry alone can cope with unemployment", he wrote in 1931. While Draper did not relish an overbearing role for government in the economic process, he saw it as the government's duty to "release economic imagination with the minimum of effective control". Draper's solution was to suggest the creation of a Federal Board of Unemployment, answerable to Congress, to which it would provide suggestions for counter-employment plans.<sup>35</sup> For other businessmen, such as Gerard Swope, the president of General Electric, and business organisations such as the Chamber of Commerce and the National Association of Manufacturers, the aims

33. Ellis W. Hawley, 'Herbert Hoover, the Commerce Secretariat, and the Vision of an "Associative State", 1921-1928', Journal of American History 61 (June, 1974): 116-120.

34. Ernest G. Draper to Daniel B. Luten, 8 May, 1931. Ernest G. Draper MSS: Box 1 File, 1928-1934. Library of Congress. Ernest G. Draper, 'What Employers are Doing'. Undated speech ca 1931. Ibid., File, Speeches, 1929-1931.

35. Idem, 'Memorandum on Unemployment', 2 January, 1931; Idem, 'Economic Planning and the Small Industrial'. Undated speech, ca. 1931. Ibid. Ernest G. Draper to Robert F. Wagner, 21 November, 1932. Ibid., File, 1928-1934.

of business and employment stabilisation could be more satisfactorily assured through the aegis of trade associations freed from the strictures of the antitrust laws. Government's role would be to relieve trade associations from antitrust restraints and supervise the associations in the public interest.

As a feature of the business structure, trade associations emerged during the Great War and were nurtured in the 1920s by the Department of Commerce and the Federal Trade Commission which encouraged their cooperative activities in prescribing 'fair' practices for their industries, particularly through the trade practice conference procedure. Trade associations emphasised the virtues of the 'new competition' in which the individual employer perceived that his own interests and those of the community at large would be best served by conforming to stipulated practices such as price maintenance. Cooperative activity would result in greater stability in industry, regularised employment, elimination of waste and improved products for the consumer.<sup>36</sup>

Trade associationism received a stimulus from the struggle to maintain markets during the depression and the emergence of 'cutthroat competition', epitomised by price-wars which, according to trade association spokesmen, injected an undesirable instability into the business structure. Where trade associationism differed from voluntary associationism was in the more structured and specific mechanisms provided for by the former, the legislative change necessary to make those associations effective and the role allowed to the Federal Government to supervise and regulate associational activities. At times it appeared to some dissenters from trade associationism that business was "begging

36. Charles F. Roos, NRA Economic Planning (Bloomington, 1937): 9-16.

for socialism"; a confusion that could not have applied to voluntary associationism.<sup>37</sup>

Industrial planning through trade associations was supported by a broad spectrum of the business community, which is defined here as composed of businessmen's organisations, individual spokesmen and professional groups which had close connections with the business community: lawyers, engineers and educationalists. Of course, sentiment was not universally favourable to planning within the business community and conflict existed between 'traditionalists' who were not prepared to compromise private control of business and 'modernists' who were prepared to sacrifice traditional entrepreneurial freedoms to achieve stability in business operations. Myron C. Taylor, chairman of U.S. Steel, remained a 'traditionalist' despite his willingness to sanction voluntary associationism. Taylor characterised much of the vogue for planning as "ill-advised and destructive in character", particularly where "artificial" means to stabilise industry were advocated, and which were contrary to the 'law' of supply and demand. "It cannot be too strongly emphasised," Taylor asserted, "that, if any plan for the amelioration of our present economic difficulties does not harmonize with this great law, it is due to fail." Especially pernicious were artificial fixing of commodity prices and government regulation of industry. Both would eliminate the "elixir" of capitalism which consisted of competition, initiative and uncertainty. Taylor's own recommendations for countering the depression consisted of re-allocating population by encouraging a back-to-the-land movement and industrial retrenchment during the economic downturn. "And so it seems we need once more, as in those quite numerous occasions in the past, to endure

37. Willis J. Ballinger, 'Big Business Begs for Socialism', Forum 87 (February, 1932): 97-100.



very real hardships," he reflected. "But we may rest confident in the thought that with each passing day we are nearing a revival of activities and a return to more sober and happy surroundings."<sup>38</sup>

Such sentiments persuaded the historian, James W. Prothro that after the onset of the depression, the business community remained inflexibly attached to conservative credos of the 1920s, including the laissez-faire ideal.<sup>39</sup> Thomas C. Longin does not accept that businessmen were immune to other influences during the depression. However, he argues that business support for planning was variable and tended to be strongest when economic prospects were bleak and weakest when businessmen could perceive signs of revival. The variable intensity of business commitment to planning is indicative, Longin argues, of the continuing primacy of traditionalist ideas within the community.<sup>40</sup> Undoubtedly the depression did not result in any wholesale transformation of business theory and certain spokesmen remained committed to traditional verities which celebrated the private control of the affairs of the individual enterprise. But evidence gleaned from businessmen's organisations, individual spokesmen and professional groups suggests a new emphasis in business thought in favour of cooperative planning and an acceptance of a limited role for government in the planning process. This new thrust in business thought was variable in its intensity during the early years of the depression due to political expediency rather than

38. Myron C. Taylor, 'The Importance of Reaffirming Our Faith in Well-Established Principles', an Address before the Boston Chamber of Commerce, Boston, Mass., 24 March, 1932. Myron C. Taylor MSS: Box 22. Franklin D. Roosevelt Library. (Hereafter cited as F.D.R.L.) Iron Age 129 (7 January, 31 March, 1932): 1-2; 788-789.
39. James W. Prothro, The Dollar Decade: Business Ideas in the 1920s. (Baton Rouge, 1954): 220-221.
40. Thomas C. Longin, 'The Search for Security: American Business Thought in the 1930s', Ph.D. Thesis, University of Nebraska, 1970: 93-100; 141-151; 314-316.

lack of conviction. Since antitrust reform was regarded as essential for an effective trade associationism, businessmen mixed caution and boldness according to the political circumstances of the time.

One major source of the business community's interest in industrial planning was the fear that if business adopted a conventional response of retrenchment in time of depression, government would assume the obligation to initiate and conduct the planning process, with detrimental consequences to the private control of enterprise. Businessmen's concerns were exacerbated particularly by the existence of a third school of planning which advocated a larger role for the government in the planning process, and which was championed by the collectivist intelligentsia and organised labour.

The collectivist strain in the thought of reform intellectuals may be traced back to the late nineteenth century. It was a response to the increasingly complex nature of a society experiencing rapid industrialism with its associated social and economic problems of adjustment. Collectivists sought to impose order and rationality on the disjointed and distended society by reproducing on a national scale the type of functional structures which had been developed especially by large corporations to regulate their operations. The collectivist solution to national problems involved increasing central or governmental control over the social and economic processes, the use of more technical expertise in political decision-making and the development of functional bureaucracies. As such collectivism was essentially an elitist doctrine in which professionals and experts employed public bureaucratic institutions to regulate defined institutions in the private sector in the interests of economic growth,

social stability and efficiency.<sup>41</sup> Collectivism was not a popular doctrine, for as Cushing Strout noted, this "technocratic rationalism" with its ideas of a mass, organised society, regulated by a professional elite, had no appeal to the ordinary citizen: "With a bland blindness to what they were proposing, [they] urged the manipulation of society by social 'scientists', as if individual and social values were mere laboratory data."<sup>42</sup> Such an impersonal doctrine of social development was unable to compete with traditional American political myths based on egalitarianism, individualism and mobility which personalised national progress. Consequently, collectivism remained an esoteric concept shared by intellectuals. According to James Gilbert: "Collectivism became a loose set of ideas which explained American society to other intellectuals, if not to the nation."<sup>43</sup>

The depression provided an opportunity for collectivists to lose their exclusiveness as interest in economic planning became widespread. Not only were collectivist ideas disseminated more widely through the proliferation of books and articles by reform intellectuals, but a 'humanising' of collectivist thought occurred during the period as it became associated with the relief of mass unemployment and distress. Of all the planning schools, collectivists were most effective in educating the public mind to the principles of economic planning. In

41. In the last two decades a school of organisational history has emerged which stresses the importance of large-scale organisations and bureaucratisation as determining the pattern of American history in the twentieth century. See Louis A. Galambos, 'The Emerging Organizational Synthesis in American History', Business History Review 44 (Autumn, 1970): 279-290.
42. Cushing Strout, 'The Twentieth-Century Enlightenment', American Political Science Review 49 (June, 1955): 328.
43. James Gilbert, Designing the Industrial State: The Intellectual Pursuit of Collectivism in America, 1880-1940 (Chicago, 1972): 20.

part this was because, unlike other planners, collectivists retained no residual respect for traditional economic theory or social mores, which enabled them to assume unequivocal, iconoclastic and dramatic positions on economic issues. Controversy generated interest and allowed collectivists to reach a wide audience. The labour leader, John P. Frey, celebrated the ability of Sumner H. Slichter, the labour economist, to make much of established economic theory look like "a bent penny", while the engineer, Otto S. Beyer wrote admiringly to the popular economist, Stuart Chase of his talent for "debunking Wall Street".<sup>44</sup> Collectivists were also conscious that they were communicating to a wider audience than their fellow intellectuals and abandoned academic pedantry in much of their written work in favour of a straightforward, lucid and often vivid prose style to achieve greater effect. Franklin D. Roosevelt's Secretary of the Interior, Harold Ickes, was later to describe Stuart Chase as "the one economist I not only can understand but enjoy, "while the physicist, Albert Einstein, felt that he brought "welcome clarification" to economic subjects.<sup>45</sup> Collectivists tended to translate the works of academic economists for popular consumption and they served as filters for the ideas of the 'institutional' economists, in particular, to become established in the public mind. Stuart Chase's talent as a translator was appreciated by Gardiner C. Means, an economist whose partnership with A.A. Berle, Jr., produced significant insights into the nature of the industrial corporation. In response to a review by Chase of The Modern Corporation and Private Property (1932), Means wrote:

44. John P. Frey to Frank Brown, 6 May, 1932. John P. Frey MSS: Box 12 File, 168. Library of Congress. Otto S. Beyer to Stuart Chase, 7 April, 1930. Otto S. Beyer MSS: Box 19 File, Labor Bureau Inc. Library of Congress.
45. Harold I. Ickes to Stuart Chase, 14 April 1935. Albert Einstein to Stuart Chase, 8 September 1937. Stuart Chase MSS: Box 1. Library of Congress.

"I cannot begin to tell you how much I appreciate your review .... You have said what we have been trying to say, but you have said it very much more lucidly, so that I wish that you had written the book yourself."<sup>46</sup> These qualities so prominent in Chase prompted Thurman Arnold to comment in 1938: "There is no small town in the country where someone is not caught by his effective illustration."<sup>47</sup>

During the early years of the depression collectivism was represented by individuals of diverse political viewpoints. Walter Lippmann, the editor of The New York Herald Tribune, and Donald Richberg, the general counsel for the Railway Executives' Association, represented the conservative fringe. They were old Roosevelt Progressives, and their commitment to a managed and centrally-directed economy would be strained eventually by New Deal pragmatism and welfarism.<sup>48</sup> Some collectivists of the 1930s, such as the popular economists and social critics, George Soule - the editor of The New Republic - and Stuart Chase - the director of Labor Bureau Inc. - were, as R. Alan Lawson has described them, "independent liberals". While they supported the principles of state intervention and planning, they were not allied to established political parties or their programmes.<sup>49</sup> Other collectivists were firmly established in the political process, whether as a progressive Republican such as Robert M. La Follette, Jr., a senator from Wisconsin, or as a Socialist like Norman Thomas, the party's leader.

46. Gardiner C. Means to Stuart Chase, 23 January, 1933. Ibid.

47. Malcolm Cowley, 'Books that Changed our Minds', New Republic 87 (7 December, 1938): 136.

48. Charles Forcey, The Crossroads of Liberalism: Croly, Weyl, Lippmann, and the Progressive Era, 1900-1925 (New York, 1967): 298-299. Thomas E. Vadney, The Wayward Liberal: A Political Biography of Donald Richberg, (Lexington, 1970): 170.

49. R. Alan Lawson, The Failure of Independent Liberalism, 1930-1941 (New York, 1971).

Collectivism found support in the universities from which prominent academics sought to cultivate public sentiment for collectivist ideas. Four leading spokesmen for central planning were attached to Columbia University, New York City: Charles A. Beard, the historian whose researches on the formulation of the Constitution had popularised the notion of economic causation in the historical process; Rexford G. Tugwell, an economist who was concerned with trends in the concentration and control of American industry and the application of economic planning to the agricultural sector; Harold Rugg, a progressive educationalist, and Leo Wolman, who had acted as director of research for the Amalgamated Clothing Workers of America before his appointment as professor of economics in 1931. Economists, like Wolman, whose specialism was industrial relations, tended to be sympathetic to the social control of industry. Both Sumner H. Slichter of Cornell and Harvard universities and Isador Lubin of Brookings Institution addressed themselves to the problems of controlling industry in the public interest, in particular, through their researches into the nature and effects of technological unemployment and their consideration of unemployment remedies. Collectivist ideas were disseminated in various ways. The depression created a demand for books of the diagnosis/prescription type, which gave collectivists, such as Stuart Chase, George Soule and Harold Rugg, the opportunity to popularise their ideas. Newspapers and journals opened their pages to collectivist opinion. 'Medium' and 'small' circulation magazines such as The Atlantic Monthly, Harper's Magazine, Forum, Current History, and Survey Graphic featured articles by the collectivists, but The Nation and The New Republic were the most

consistent editorial supporters of central planning.<sup>50</sup> The radio was a further medium through which the central planners could propagate their ideas. For example, Chase, Charles Beard and Rexford Tugwell all discussed economic planning in a series of lectures sponsored by the National Advisory Council on Radio in Education during 1932. Finally, collectivists had more direct access to public policy-making. Soule, Chase, Sumner Slichter, Donald Richberg and Leo Wolman were frequently invited to testify before congressional committees investigating economic problems. Collectivists were also consulted by Senator LaFollette in preparation for his bill to establish a national economic council which he introduced in 1931. Isador Lubin acted as La Follette's assistant during the subsequent hearings.

50. The circulation figures of the periodicals cited for 1930 were as follows:

<u>The Atlantic Monthly</u>	133,287
<u>Harper's Magazine</u>	121,116
<u>Forum</u>	90,719
<u>Current History</u>	63,580
<u>Survey Graphic</u>	25,466
<u>The Nation</u>	37,991
<u>The New Republic</u>	12,000

N.W. Ayer & Son's Directory,  
Newspapers and Periodicals - 1930  
 (Philadelphia, 1930): 1275-1277.

The collectivist intelligentsia of the 1930s typify Wassily Leontief's assertion that "more often than not, a critic of the prevailing style of economic thought is also a critic of the dominant social and political institutions".<sup>51</sup> Collectivists deplored the persistence of the laissez-faire tradition in public policy and wished to transform public institutions to correspond to changing economic circumstances. They stressed the theme of interdependence in the modern economy and the need to adopt 'holistic' perspectives on economic activity through the creation of a central planning agency. Ideally such an agency would be operated by government and staffed by technical experts whose decisions would have mandatory force. However, collectivists were prepared to compromise their ideals for reasons of political expediency and their recommendations for a centrally-planned economy often avoided such an authoritarian emphasis.

Collectivist intellectuals were joined by organised labour in preferring central planning to the alternatives of trade associationism or voluntary associationism, although their motives were somewhat different. Like the collectivists, organised labour became progressively disenchanted with the Hoover approach to planning during the depression and remained sceptical about the sincerity of the intentions of the business planners. However, a restriction of options alone does not explain the trade union movement's advocacy of central planning. The historian, Ronald Radosh makes a convincing case for the development of a corporate ideology within the American Federation of Labor (A.F. of L.) from the turn of the century to the New Deal. Rather than view American society in terms of class and conflict between different groups, labour leaders viewed divisions as existing between functional economic groups and stressed the essential harmony of interests between them.

51. Wassily Leontief, 'The Limits of Economics', A Review Article, New York Review of Books 19 (20 July, 1972): 30.



Their ideal was an economic congress in which all functional groups would be represented and in which government acted as an impartial mediator.<sup>52</sup> Radosh's thesis offers a perspective through which to contextualise labour's support of central planning during the early phase of the depression. The development of central planning mechanisms which permitted democratic participation for economic groups would serve as a means for organised labour to be integrated into the existing political economy.

Planning through central direction was the third alternative for a planned industrial structure to be sponsored during the early years of the depression. Clearly, there was no fixed or static relationship between individuals and groups who approved of industrial planning and the particular approaches which they favoured. Hoover's attempts to implement voluntary associationism received initial support from both organised labour and collectivist intellectuals, while many businessmen remained loyal to the President's planning approach throughout his tenure. The business conception of the potential role of the trade association in industrial planning was appreciated by Hoover who regarded the institutions as the major vehicles for propagating industrial planning programmes. Neither did he reject outright the business community's argument for modification of the antitrust laws to permit trade associations more license and authority in the planning process, for he spoke favourably of selective revision for particular industries. Organised labour and collectivist intellectuals were also receptive to the business community's demands, since they regarded changes in the antitrust laws as a prerequisite for a rationally planned industrial structure. As for the idea of a national economic council put forward

52. Ronald Radosh, 'The Corporate Ideology of American Labor Leaders from Gompers to Hillman', Studies on the Left 6 (July-August, 1966): 66-86.

by the central planners, leading business spokesmen and major businessmen's organisations endorsed the idea of a central planning agency, and President Hoover made brief but positive references to the utility of such a body. Support for particular approaches or strategies was essentially a matter of emphasis which emerged from a consensus on the need to provide for an industrial structure which was consciously planned.

(v) The Translation of Ideas into Public Policy: Industrial Planning and the Political Process, 1929-1933

The fortunes of the three planning schools depended on a variety of factors and circumstances during the period. Of these, the attitude of the Hoover administration was undoubtedly the most crucial, but other considerations were also influential in determining the viability of these alternatives as public policy. In particular, the disposition of Congress and the ability of sponsors of planning approaches to command a broad consensus of opinion in support of their measures were decisive factors.

Of the three alternatives, only voluntary associationism required no legislative action to put into effect and was the sole approach to industrial planning which achieved the status of public policy during the Hoover administration. From the outset of the depression Hoover sought to harness the initiative of individual firms in a national counter-depression programme by creating organisations and agencies which would provide advice to businessmen about means of introducing planning practices into their operations to stabilise business and employment. While Hoover attempted to bring organisation and coherence to an overall counter-depression strategy, he waived the need for any legislative change or coercion to achieve his aims, fearing a growth of statism and its damaging effects on traditional American credos.

Despite a general, initial enthusiasm for the Hoover strategy, the favourable consensus began to dissipate during 1931 as the depression continued and the prospects for a business revival became more remote. Alternative planning strategies began to be seriously considered within Congress and elsewhere. Hoover's critics called for a more prominent role for government in the planning process and legislation which would provide the necessary machinery for effective economic planning. During 1931 a boom developed in favour of the establishment of a national economic council, which was the object of a bill introduced by Sen. Robert M. LaFollette, Jr. of Wisconsin. The economic council idea was essentially a product of the vision of the central planners who had become impatient with Hoover's decentralised planning emphasis and who called for the creation of a central agency to guide or direct economic policy. Contemporaneously, the business community began to press for some modification of the antitrust laws to permit trade associations to stabilise their particular sectors by regulating competition. However, by the end of Hoover's presidency neither the trade association nor the central planning approaches had been given legislative expression.

The failure of the business and central planners to achieve their legislative objectives was due to a number of factors. In the first place, the central planners could claim no consensus behind their economic council proposal. The lack of any wholehearted support from the business community particularly handicapped their effort. Second, Congress was reluctant to make fundamental changes in the nation's political economy. In part this was due to the attachment of some congressmen to traditional American concepts of competitive individualism and their caution about committing the nation to ideals which were ideologically alien, and in the case of central planning, novel and vague. Political expediency also determined congressional inaction.

The majority of the measures to amend the antitrust laws were introduced in 1932, an election year, when it would have been a political liability for many congressmen to support controversial legislation. However, President Hoover's position seems to have been the most crucial. His reservations about both approaches made him determined not to lend the prestige of his office in support of measures which ran counter in spirit to his own conception of a proper planning strategy for America, and which might compromise his own programme based on voluntary associationism.

Hoover maintained faith with voluntary associationism to the end of his tenure as president. In the late summer of 1932, the President made one last effort to make the formula work to achieve recovery and relief goals. One of the mainstays of the Hoover administration's counter-depression programme was work-sharing, which was regarded not only as a short-term relief measure, but as a long-term solution to the problem of securing stable employment in a technologically progressive society. In August 1932, Hoover embarked on a major work-sharing drive which adhered to the principles of voluntary associationism in that the programme had no statutory basis. The disappointing achievements of the work-sharing initiative and the widespread criticism it received emphasised the failure of voluntary associationism to secure its counter-depression objectives. This failure was emphasised by the support in Congress for a bill introduced by Sen. Hugo L. Black of Alabama to make work-sharing mandatory.

The electoral defeat of Herbert Hoover and the advent of the Roosevelt administration reopened the political possibilities for the various industrial planning schools. Hoover's defeat removed from office the major opponent of the business and central planners' schemes. He had been replaced as president by a man who had initially supported voluntary associationism but revealed a sympathy for other planning

alternatives in his pre-election addresses. The political complexion of Congress had also changed. The Democratic sweep of 1932 had given Roosevelt's party substantial majorities in both Houses, and over three years of mounting unemployment rolls gave this secure Congress the determination to take vigorous action on economic issues and make ideological scruples take second place to the exigencies of an ailing economy.

It would not be historical to suggest that the industrial planning strategy adopted by the Roosevelt administration in the N.I.R.A. had been preordained by the experiences of the previous four years. However, in terms of the alternatives for industrial planning and their acceptability as public policy for the new administration, the early years of the depression served to clarify possibilities and limit the options available to a president who was committed to planning. Voluntary associationism had been seen to have failed through lack of authoritative sanction, and although work-sharing was incorporated into the N.I.R.A., it was merely a part of a broader programme whose emphasis was quite different to that of Hoover. Collectivism, in the form of a national economic council was supported by a limited constituency and aroused resistance within the business community. However, trade associationism could claim a broad range of support in its favour, and with the removal of Hoover from office and the changing climate in Congress, the prospects were favourable for the translation of trade association ideas into public policy. In the volatile political and economic circumstances of the spring months of 1933, the business lobbies seized the opportunity to press for legislative sanction of trade association planning and were rewarded with the N.I.R.A.

However, the 'business commonwealth' features of the N.I.R.A. were not the products of the immediate circumstances of Roosevelt's

election; neither were they pre-destined by the growth of the trade association movement after the Great War. They arose from a consensus which was formed between political, business, reform and labour groups during the depression about the need to transform the United States' political economy, and represented one means of accomplishing this transformation.

## CHAPTER 1

### PRELUDE TO PLANNING: THE RENOUNCEMENT OF LAISSEZ-FAIRE,' 1929-1933

Laissez-faire was a staple term employed in economic discourse during the early years of the depression. It was used by some business spokesmen, collectivist intellectuals, labour leaders and politicians to draw attention to the lack of authoritative management in the economic system by either private or public agencies. The phrase was applied loosely. It was employed as an emotive rubric for an economy which was not purposefully directed, rather than as a claim that the United States' economy was governed by free market forces. It was widely accepted that the expanded role of government, particularly in the spheres of fiscal, monetary and social policy, and the concentration of economic power in the private sector which allowed oligopolistic industries to override free market forces, had rendered laissez-faire an anachronistic and inaccurate description of the sources of the American economy's dynamic. Few of those who equated the concept with the twentieth-century American economy were so naive as to relate it to the 'pure' doctrine of Adam Smith or his nineteenth-century successors. The theory of laissez-faire which emphasised an economy composed of many small, competing units in which neither producers nor consumers were restrained by 'artificial' public policy or private action, no longer described reality. Nevertheless, the flotsam of the doctrine lingered in political and economic thought, neither having adapted fully to the technological and structural changes which had occurred in the American economy since the late nineteenth century and the corresponding increase of the role of government during the period. The challenge to the critics of laissez-faire during the early depression was to establish new economic concepts to supercede the old; to modernise economic thought and public policy to conform to economic realities.

The first stage of this process was the obliteration of outmoded concepts. "The battle for an individualistic laissez-faire economy, self-regulated by competition, is definitely lost," George Soule recognised. "Unless we make that fact the basis of our political and economic thinking, we shall be headed in the wrong direction,"<sup>1</sup>

The circumstances of the depression made criticisms of laissez-faire particularly strident. Critics expressed an intense dissatisfaction with the value of classical economic theory in providing diagnoses and prescriptions for economic depression. A doctrine which demanded immediate liquidation of values with the promise of natural and inevitable revival, offered little assurance in the face of mounting unemployment, declining profits and general business instability. Furthermore, the proposition that such slumps were an inevitable aspect of economic progress met with scepticism from those convinced that it was within American ingenuity to mitigate if not extirpate the violent fluctuations of the business cycle. The converse of the arbitrariness of laissez-faire was the purposeful allocation and distribution of resources through economic planning.

Rejection of laissez-faire was not limited to any specific political or ideological grouping. It spanned the spectrum of American constitutionalism: from Herbert Hoover, President of the United States, to Norman Thomas, leader of the Socialist Party. Repeatedly, during his presidency, Hoover disassociated himself from any commitment to laissez-faire ideals. He subscribed to no "fatalistic view" of the business cycle, the President informed the American Bankers' Association in 1930.

1. George Soule, A Planned Society (New York, 1932): 172.



"The economic fatalist believes that these crises are inevitable and bound to be recurrent," Hoover stated. "I would remind these pessimists that exactly the same thing was once said of typhoid, cholera and smallpox." Fatalism was antithetical to the spirit of modern science and "the genius of modern business".<sup>2</sup> A planned and orderly development of the national economy was possible. Hoover's opponent in the presidential campaign of 1932, Franklin D. Roosevelt, shared this rejection of laissez-faire. At Oglethorpe University in 1932 Roosevelt condemned the "haphazardness" of American industrial development, its wastage of resources, duplication of productive facilities, high risk in enterprise and profligate consumerism. He also rejected the classical concept of depression as an "inherent peculiarity" of the economic system which must be borne stoically until prosperity returned. Sceptical of "immutable economic law" and confident of man's ability to control economic forces, Roosevelt advised that the application of foresight through "social planning" could promote more stable and socially-useful economic growth.<sup>3</sup> The Socialist Party candidate, Norman Thomas was similarly convinced that laissez-faire ideals were inappropriate to a "Machine Age". "Physical science has given us firm foundations for our Utopias," he declared in 1931. The task was to adjust social principles to conform to the maxim that "there is now no longer any external excuse for poverty".<sup>4</sup>

Walter Lippmann echoed the sentiments of fellow collectivist intellectuals when he indicated the paradox of poverty and plenty, a

2. Address at 56th Annual Convention of American Bankers' Association at Cleveland, Ohio, 2 October, 1930. William Starr Myers (ed.), The State Papers and Other Public Writings of Herbert Hoover, 2 vols. (New York, 1934), 1: 379. (Hereafter cited as State Papers.)
3. Address at Oglethorpe University, Atlanta, Georgia, 22 May, 1932. P.P.A. op. cit., 1: 642-643.
4. Norman Thomas, America's Way Out: A Program for Democracy (New York, 1931): 4-5.

characteristic of a society which had solved the problem of scarcity without accomplishing the same for distribution. The issues of the presidential election of 1932, Lippmann believed, involved the "management of plenty" to create a "secure and ordered civilization". A policy of laissez-faire had become "utterly impossible" and the nineteenth century dynamic of industrial expansion, the acquisitive and competitive instinct, needed to be replaced by forces "disinterested and cooperative" in their effect.<sup>5</sup>

The adjustment of theory and institutions to economic circumstances was possible since economic laws were not immutable. Donald R. Richberg, general counsel of the Railway Executives' Association, claimed that the economic system was not a "creation of Providence" but a "man-made" artifice which was capable of management and direction. Richberg believed that "a nationally planned economy is the only salvation of our present situation and the only hope for the future in the complications of modern life".<sup>6</sup> It was imperative that theory and institutions reconcile themselves to the revolutionary impact wrought by technological change upon American economic life, the American Federation of Labor's Executive Council contended in 1932. The immediate problem was of a reconciliation with collectivism; the adoption of new principles and the adaptation of established ones to suit current needs.<sup>7</sup>

The recognition that the laissez-faire ideal was no longer useful as a guide to policy penetrated into the business community. The manufacturer, Henry S. Dennison expressed the point with particular urgency:

5. Walter Lippmann, Interpretations, 1931-1932 (London, 1933): 4.
6. U.S. Congress, Senate, Subcommittee of the Committee on Manufactures. Hearings on S.5125, Federal Aid for Unemployment Relief, 72nd Congress, Second Session, 1933: 454-455.
7. Report of the Proceedings of the 52nd Annual Convention of the American Federation of Labor, Cincinnati, Ohio, 21 November - 2 December, 1932 (Washington, D.C., 1932): 32.

We must manage ourselves if we are to gain on the past. No laissez-faire, no unchanneled and unimpeded course of nature, no invisible hand will do it for us. Unless there is a growing social control to meet the unquestioned growing social complexity, most of us must believe, I think, that we can expect no happier fate for mankind; and many of us would risk the prediction of retrogression to ultimate catastrophe.<sup>8</sup>

Disregard for laissez-faire was . . . not limited to a fringe of radical or 'enlightened' employers. Myron C. Taylor, chairman of U.S. Steel, was a traditionalist in terms of his belief in competition as "a law of nature" and his aversion to government intervention in the economy; however, he could contradict himself in the space of three sentences in an essay of 1932. Claiming that government planning was contrary to a fundamental "law of nature" at one moment, he then contended that "it has yet to be demonstrated that any government can adjust supply and demand as well as does free business".<sup>9</sup> Taylor's commitment to laissez-faire was rhetorical, a veil to conceal anxiety about government intervention.

Spokesmen for the business community who advocated a 'liquidationist' approach to depressions invited hostile responses such as that received by Albert C. Wiggin, chairman of the Chase National Bank, from Robert M. LaFollette, Jr., chairman of a Senate subcommittee in 1931 investigating the advisability of establishing an economic council. LaFollette branded Wiggin's testimony as a "counsel of despair", a phrase which was widely adopted by critics of laissez-faire.<sup>10</sup> Such accusations were not just levelled by liberals at business spokesmen; they were heard within the business community itself. Business Week, for example, frequently chided those traditionalists among its subscribers

8. Henry S. Dennison, 'Social Self-Control', The Annals 149 (May, 1930): 1-2. Dennison's emphasis.

9. Myron C. Taylor, 'The Machine Delusion', in Samuel Crowther, (ed.), A Basis for Stability (Boston, 1932): 50.

10. U.S. Congress, Senate, Subcommittee of the Committee on Manufactures. Hearings on S.6215, Establishment of a National Economic Council, 71st Congress, First Session, 1931: 372-373.

to accept the "discipline" and "control" necessary to produce economic recovery.<sup>11</sup>

Critics joined issue with the doctrine of laissez-faire on two levels. First, empirical research demonstrated that the structure of the American economy no longer conformed to that prescribed by classical theory. Second, the persistence of laissez-faire in economic theory and its influence on public policy and private practice was condemned as unsatisfactory in realising the problems and complexities of the economic system and the potential of economic and political institutions. Although by no means distinct or exclusive, three lines of attack by the critics on the effects of laissez-faire through public policy may be discerned. First, concern was expressed about the problems generated by enforced competition, particularly in those 'sick' industries in crucial economic sectors which suffered from overproduction and declining prices. Second, critics charged that the potential social force of technology was being dissipated and that technological progress, rather than benefiting the community, was jeopardising its stability through the creation of technological unemployment. Finally, many critics charged that there was insufficient current income in the hands of the masses to carry from the market the output of a highly productive industrial system. From a perspective of the early 1930s the irony was not only that the theory of laissez-faire no longer fitted the economic facts, but that where public policy and private practice attempted to approximate the ideal the effect was pernicious to the general public and damaging to the sectors concerned.

In its report published in January 1933, the President's Research Committee on Social Trends pointed to a cultural lag between the physical

11. See, for example, Business Week, 9 July, 1930: 40; 3 May, 1933: 32.

and social sciences. "There is in our social organizations an institutional inertia, and in our social philosophies a tradition of rigidity," the Committee asserted. "Unless there is a speeding up of social invention or a slowing down of mechanical invention, grave maladjustments are certain to result."<sup>12</sup> The Committee's reasoning was that both the social sciences which sought to explain contemporary conditions and the political institutions which tried to adapt to them, had fallen behind the rapid changes that technological progress had wrought. The social sciences derived theories from descriptions of economic life, and political institutions were modified according to those theories. The problem was that rapid technological change made theories as outdated as the descriptions. The Columbia University economist, Rexford G. Tugwell noted that such obsolescent theories acquired a mystique, a symbolism which made them seem precious and made them more difficult to discard: "The protective vine makes the ruined wall seem beautiful, we dislike abandoning it for something different." Adherents to laissez-faire were the devotees of a "mere slogan", Tugwell challenged, for the theory no longer explained economic reality.<sup>13</sup>

In The Modern Corporation and Private Property (1932), Adolf A. Berle, Jr. and Gardiner C. Means revealed the inconsistency of an economy

12. Recent Social Trends in the United States: Report of the President's Research Committee on Social Trends, 2 vols. (New York, 1933), 1: xxviii. The Committee was appointed in December 1929 and reported in January 1933. Its objective, designated by President Hoover, was to provide data upon which prosperity might be stabilised through private and public action. Financed by the Rockefeller Foundation, the Committee included many eminent 'progressive' social scientists such as Charles E. Merriam, Wesley C. Mitchell and William F. Ogburn.
13. Rexford G. Tugwell, 'The Principle of Planning and the Institution of Laissez-Faire', American Economic Review 22 (March, 1932): 76-78, 88. (Supp.).

where major sectors were dominated by a few firms and a theory of capitalism which requires that power to affect prices, wages, output and investment be impersonally governed by the reactions of many firms. They disclosed that of 300,000 non-financial corporations in the United States in 1929, 200 of these controlled nearly half the corporate wealth. Moreover, this concentration of economic power was seen to be progressing at a striking rate. In 1909, the assets of the 200 then largest non-financial corporations amounted to \$26 billion. By 1919, they had reached \$43.7 billion, an increase of 68% in ten years. In the next ten years they increased to \$81.1 billion, an increase of 85%. The growth rate of these 200 largest corporations, Berle and Means estimated, was nearly three times greater than that of the others, and the wealth of the large corporations had been increasing at a very much more rapid rate than the total national wealth.<sup>14</sup> They had already suggested that American Telephone and Telegraph, if compared with the 48 United States on a basis of wealth, would have been the twenty-seventh State in the Union in 1922.<sup>15</sup> Nor could Berle and Means envisage any immediate limit to this increasing trend of concentration; they predicted that, theoretically, in 360 years the 184 companies which would have survived dissolution would have merged into a single corporation with a life expectancy of 1,000 years.<sup>16</sup> The implication of this degree of concentration was that competition had changed in character and in the process had made the competitive principles applicable to contemporary conditions very different from those which applied when the dominant competing units

14. Adolf A. Berle, Jr. and Gardiner C. Means, The Modern Corporation and Private Property, 10th ed. (New York, 1937): 30-41.

15. Idem, 'Corporations and the Public Investor', American Economic Review 20 (March, 1930): 58.

16. Idem, The Modern Corporation, op.cit., 44.

were smaller and more numerous. The principles of "duopoly" had become more important than those of free competition.<sup>17</sup>

Berle and Means' discoveries were corroborated by other evidence such as Willard L. Thorp's investigation of the merger movement<sup>18</sup> and by the findings of the Committee on Recent Social Trends which noted that the merger movement in the 1920s had been inspired by the twin aims of stabilising operations and reducing costs by eliminating waste, and had been facilitated by the favourable financial conditions of the decade. It recognised the social power of large corporations such as U.S. Steel which employed twice the number of workers and earned double the gross revenue of New York City and New York State combined and perceived that the logic which promoted consolidations was stronger than ever in depressions. Given the availability of credit, the trend would be likely to continue, posing "formidable new problems in the private and social control of business".<sup>19</sup>

As significant as these findings on the concentration of industry were Berle and Means' disclosures of the diffusion of stock ownership in United States' industry. In 1930, Means revealed that from a study of thirty-one large corporations he had found that the number of book stockholders increased from 226,543 in 1900 to 1,419,126 in 1928.<sup>20</sup> He explored the implications of this trend in an article of 1932. It was apparent to Means that with the increasing dispersion of stock ownership in the largest American corporations, a new condition had developed with regard to their control. No longer could an individual or group control a corporation in which shares were owned, for no matter how

17. G.C. Means, 'The Growth in the Relative Importance of the Large Corporation in American Life', American Economic Review 21 (March, 1931): 36-37. Berle & Means, The Modern Corporation, op.cit., 45-46.

18. Willard L. Thorp, 'The Persistence of the Merger Movement', American Economic Review 21 (March, 1931): 77-89, (Supp.)

19. Recent Social Trends, op.cit. 1: 238-240; 2: 1512.

20. G.C. Means, 'The Diffusion of Stock Ownership in the United States', Quarterly Journal of Economics 44 (August, 1930): 563.

many shares owned, it was sure to be an insignificant amount because of the diffusion of stock ownership. Control now rested with management who could use the proxy votes of the apathetic shareholders or benefit from disinterested stockholders not voting at all. Management could thus become self-perpetuating through the election of the board of directors. "This separation of ownership and control involves a change in the organization of enterprise almost as revolutionary as that which occurred in the industrial revolution," Means asserted. Whereas the factory system divorced control from labour in the industrial revolution, so the corporate system was divorcing control from ownership.<sup>21</sup>

In summary, two conclusions drawn from Berle and Means' researches were of considerable importance to the critics of laissez-faire. The first was that economic areas within which production could be conducted on a rational coordinated basis had become limited only by the ability of a few individuals to administer the huge organisation of workers and of wealth which could be brought under their control. The second conclusion was that the civilisation of capitalism, its ethics, morality and philosophy - the "vines" to which Tugwell referred - were being destroyed by the practice of capitalism. "A society in which production is governed by blind economic forces is being replaced by one in which production is carried on under the ultimate control of a handful of individuals," Means wrote. "The economic power in the hands of the few persons who control a giant corporation is a tremendous force which can harm or benefit a multitude of individuals, affect whole districts, shift the currents of trade, bring ruin to one community and prosperity to another." The organisations which the managers controlled had passed

21. Idem, 'The Separation of Ownership and Control in American Industry', Ibid., 46 (November, 1931): 83-88; 95-97.



far beyond the realms of private enterprise and had become "social institutions". "A Machiavelli writing today," Berle reflected, "would have very little interest in princes, and every interest in the Standard Oil Company of Indiana. And he would be right; because the prince today is the president or dominating interest in a great corporation."<sup>22</sup>

Reflecting on this increasing concentration of power in a few hands, however, Berle and Means did not regard the future with any fear, for "it is never well to try to prevent the hands of the clock from turning". The corporate system was moving through "an age of constitutional monarchy", they believed, guided "by an intelligence superior even to the political entities", and which would, in turn, guide "these instruments to a balance which will more nearly serve the state in which we live".<sup>23</sup> Berle's abiding faith, as Arthur Schlesinger expressed it, was that, in time, "the corporation would generate a conscience and a soul".<sup>24</sup> More precisely, both Berle and Means may have derived their optimism from the professions of public responsibility uttered by businessmen during the depression, through their own equation of size with stability and public service and by the understanding reached by progressive business planners that the welfare of industry and the consumer were not incompatible but inextricable.

Although The Modern Corporation and Private Property had considerable impact after its publication in 1932, its central findings had appeared much earlier in articles and had become established features of the broader critique of laissez-faire during the Hoover presidency. Indeed, it was the authors' intention that this should be so. As Gardiner Means

22. Idem, 'The Growth of the Relative Importance of the Large Corporation in American Life', op.cit., 37. Berle & Means, 'Corporations and the Public Investor', op.cit., 71.

23. Ibid.

24. Arthur M. Schlesinger, Jr., The Coming of the New Deal (Kingswood, 1958): 177. See also A.A. Berle, Jr., 'A High Road for Business', Scribner's Magazine 93 (June, 1933): 325.

wrote to Stuart Chase: "It seems to me awfully important that the whole set of ideas which we have attempted to set forth should be absorbed into every day economic thinking." Complimenting Chase on his review of The Modern Corporation, Means expressed satisfaction that "it will insure a wider dissemination of the facts and theoretical material which it seems to me important the community have in its mind".<sup>25</sup>

The trend towards industrial concentration provoked widespread discussion within the business community. Spokesmen for small business such as J. Harvey Williams, a Buffalo tool manufacturer who was influential in the councils of the National Civic Federation and the National Association of Manufacturers, regretted the tendency but appreciated the advantages of scale for the control and distribution of resources. His antidote for the hardships incurred by independent proprietors during the depression was to emulate their corporate counterparts without compromising the integrity of the autonomous unit through associational activity.<sup>26</sup> Such associational activity was considered inadequate by many industrial spokesmen. Trade publications for the steel and coal industries whose sectors were bedevilled by excess capacity encouraged the merger movement to enable firms to maintain a more precise control of output and balance supply with demand. The depression merely reinforced an already established commitment to rationalisation.<sup>27</sup> Others regarded the large corporation as a potentially beneficent force. Wallace B. Donham, Dean of Harvard's Business School, regarded the

25. Gardiner C. Means to Stuart Chase, 23 January, 1933. Chase MSS: Box 1.

26. J. Harvey Williams, 'Industrial Disarmament, the First Step Towards Economic Security', Forbes 25 (1 June, 1930): 26-28; 30.

27. See, for example, Iron Trade Review 84 (11 April, 30 May, 1929): 1004; 1455; 1470. Coal Age 34 (January 1929): 6-8; 24; 44-45.

great corporation as an influential and progressive force in social and economic progress and looked to the leadership of "a few hundred men in a few hundred corporations" to take the initiative in fostering economic recovery.<sup>28</sup> Throughout the early phase of the depression business publications extolled the accomplishments of large organisations both in ameliorating unemployment and in planning for stabilised production. The image of the large corporation was enhanced also by President Hoover's reliance on prominent corporation leaders to effect and popularise 'economic planning' practices to overcome depressed business conditions.<sup>29</sup>

Collectivist intellectuals objected not to the concentration of industry into large units per se, but to the fact that those who controlled them exercised considerable social and economic power which could be used in benign or malign ways to benefit or damage the national interest.

The attitude of The Nation towards consolidated enterprise was established before the depression occurred. The Treasury Department statistics for corporate income in 1927 elicited much comment from the journal after their publication. While these figures showed a slump in net corporate income and an increase in corporate deficits of companies with relatively small capitalisation, highly-capitalised concerns, such as General Motors, were seen to have made considerable profits. To one Nation leader in January 1929, this phenomenon of increased prosperity during a period of falling prices could be attributed, in large part, to the elimination of the inefficiencies of small-scale production.

28. Wallace B. Donham, 'Business Ethics: A General Survey', Harvard Business Review 7 (July, 1929): 385-394. Idem, Business Looks at the Unforeseen (New York, 1932): 12.

29. Two particularly comprehensive and laudatory contemporary accounts of the 'corporate consciousness' during the early depression are Warren Bishop, 'How Business Fights the Wolf', Nation's Business 20 (November, 1932): 23-25; 54-55. Russell Greenman, 'Plans that Shortened the Bread Lines', Ibid. 21 (October, 1933): 50; 52; 54-56; 58. For Hoover's use of prominent business executives in his recovery programme, see Chapter 2.

"If the little businessman is dying," the leader continued, "let him die. As consumers we cannot afford to maintain him in independent wastefulness."<sup>30</sup> The Nation appreciated the economic benefits of large-scale enterprise and applauded the activities of the "vast organizers" who had demonstrated the economies possible from combination and "proved that a high standard of living can be maintained only in lands where monopoly is allowed to flourish". To those Brandeisians who bewailed such tendencies toward concentration, Heywood Broun retorted: "Utopian dreams of the four-hour day and five-day week assume immediacy only when they are translated into terms of industrial unification and organization .... Most of the tears which have been shed over the passing of the candlestick maker and the weaver and the tinsmith were not shed by any of the members of those arduous occupations."<sup>31</sup> But there was one caveat concerning industrial concentration: such powerful enterprises should no longer be controlled to the end of purely private profit but to the public advantage. In the longer term The Nation envisaged substantial control of private enterprise. "The real task of a modern democracy," the journal editorialised, "is not to fight large-scale organization, but to learn to use it for the common welfare. We shall not accomplish that without making large inroads on the present organization of private enterprise."<sup>32</sup>

The New Republic welcomed the economic dominance of the large corporation since it promised to facilitate planning whether performed by the large corporation itself or by government. Concentration and control had created a situation whereby "the agencies through which

30. Nation 128 (2 January, 1929): 2.

31. Ibid., 129 (3 July, 1929): 7.

32. Ibid., 130 (28 May, 1930): 614.

general planning might be executed are already very largely in being and are steadily growing more powerful."<sup>33</sup> American socialists regarded the concentration of industry as a portent of the demise of the capitalist system. Not only did rationalisation facilitate the transfer of economic power to the public sector, but the separation of ownership and control had removed the major barrier to public ownership - the sanctity of private property.<sup>34</sup> Rexford Tugwell reached similar conclusions. He contended that the separation of ownership and control served to illustrate the "fallacy" of profits which had been presumed to guide the economic system under laissez-faire. "Since profits go only to owners," he wrote, "control is effectively separated from its assumed motive .... The truth is that if industry could not run without this incentive it would have stopped running long ago." Tugwell noted that industry, persisting without the incentive of profits and concentrating into few, huge units, was becoming amenable to government expropriation of the managerial function. This government intervention into private enterprise would only produce "small, unnoticed changes" since, in effect, all that would occur would be a change in management.<sup>35</sup> Tugwell favoured the concentration of economic power but insisted that concentration be "correlated to elaboration". Only through the overarching control exercised by a federal supervisory body could a synthesis emerge between economic growth and the public interest.<sup>36</sup>

33. New Republic: 65 (13 May, 1931): 341.

34. Thomas, America's Way Out, op.cit., 163-164. Harry W. Laidler, 'The New Capitalism and the Socialist', The Annals 149 (May, 1930): 12-21. Paul Blanshard, 'A Plea for Social Control and Ownership', Ibid. 154 (March, 1931): 78-84.

35. Tugwell, 'The Principle of Planning', op.cit., 79; 92.

36. Rexford G. Tugwell, The Industrial Discipline and the Governmental Arts, (New York, 1933): 218.

Donald Richberg's concern, like that of Brandeis, was that the great corporations posed problems of management too great for the individual or the small group. "The huge vertical and horizontal 'trusts' of the present day must have great directors to survive," he wrote. "They require double Napoleons, who as yet have not been found." Without adequate expertise and direction they would flounder despite their present hegemony, for, as Richberg reminded his readers, "the dinosaur perished not from lack of power, but from lack of brain." One alternative to the disintegration of these "superhuman organizations" was a redistribution of the control of industry, based on the public interest and on principles of "industrial-social engineering".<sup>37</sup> The A.F. of L. Executive Council of 1930 agreed that the concentration of industry had made the responsibility resting on management "correspondingly grave", especially in terms of its obligations to promote workers' welfare. By 1933, William Green, president of the A.F. of L. could equate concentrated economic power with "autocratic power" and regret that the great corporations had proved ineffectual in promoting revival. The public interest required that economic decision-making be nationalised. "There must be planning," Green declared. "The old order has had its day and it has failed."<sup>38</sup>

The concentration of industry provided a focus for the critics of laissez-faire who indicated that the developing corporate economy no longer fitted the description of the classical ideal. Although 'old'

37. Donald R. Richberg, 'The Industrial Liberalism of Justice Brandeis', Columbia Law Review 31 (November, 1931): 1102. See also Idem, 'Industrial Civilization', American Federationist 39 (March, 1932): 274.

38. Report of the Proceedings of the 50th Annual Convention of the American Federation of Labor, Boston, Massachusetts, 6-17 October, 1930 (Washington D.C., 1930): 47-48. Nation's Business 21 (February, 1933): 46-47.

Progressives and 'decentralist' intellectuals bemoaned this concentration of American economic life, the corporate form and the processes of concentration and control were favoured by elements within the business community, the liberal and socialist intelligentsia and organised labour. While their evaluations were based on very different criteria, all welcomed consolidated or coordinated enterprise as a factor favourable to stabilised and rational operation in industry. As a guide to public policy and private practice laissez-faire provided an inappropriate theoretical basis and both economic theory and institutional action required modification to conform to the new realities. This was particularly imperative since the laissez-faire ethic continued to exercise an influence on government policy, and, in turn, placed restraints on private practice. The effect was damaging to the interests of business and industry, labour and the consumer, and it prevented the American economy from achieving its full potential. Evidence could be gleaned from those industries blighted by enforced competition, from the unemployed who had been displaced by technological innovation and from the growing relief queues which testified to a maldistribution of purchasing power in the American economy.

A major tenet in the critique of laissez-faire was that the degree of competition which was central to the doctrine was an evil, essentially 'destructive', and both a cause of the depression and a factor in its continuance. The simple thesis that 'predatory' or excessive competition was a major contributing factor to the national economic crisis appealed to a broad spectrum of opinion which charged 'cutthroat' competition with responsibility for the widespread business failures and the price and wage reductions that had occurred during the depression. For collectivists the consequences of excessive competition provided a case for social control of industry to provide stability. For businessmen,

'predatory' competition could be avoided most effectively through the trade association form, immune from the antitrust laws, which could set common standards for industries. For labour spokesmen, the vulnerability of wage rates when the competitive situation required cost reductions by employers stimulated an interest in economic planning by management or government to stabilise economic activity.

Despite the increasing concentration of industry, administered prices and informal trade agreements, bitter competition was still prevalent in many sectors of industry. Competition even existed in the oligopolistic industries, but was conducted on a non-price basis - the granting of premiums, bulk discounts and other 'free deals' to potential buyers.<sup>39</sup> However, the areas in which 'cutthroat' competition was most virulent were those such as the oil, coal, textile, lumber, clothing and retail industries in which excess capacity existed and where competition was on a price basis.<sup>40</sup> Whereas the integrated monopolistic enterprise, secure in its control of the market, responded to the depression by reducing its supply to what could be sold at existing prices, the small firm, which had no similar control over its markets and faced a declining demand for its products, was forced to reduce its prices in order to secure a share of rivals' markets and hence make a reasonable profit and meet its overheads.

39. George Soule, Prosperity Decade: From War to Depression, 1917-1929 (New York, 1968): 144. Leverett S. Lyon, The Economics of Free Deals (Washington, D.C., 1933).

40. Excess capacity was prevalent also in industries such as automobiles and construction but was less serious during the depression because of the ability of leading firms and associations to stabilise operations. See Steel 89 (2 November, 1931): 23-24; 34. New Republic 60 (30 October, 1929): 283. Other sectors such as coal and boot and shoes were disadvantaged by the number of firms involved in their industries. The Commissioner on Labor Statistics reported in 1931 that from 20 to 24% of the 6,057 coal mines in operation could produce all of the total of coal then produced if working at full capacity, and that 14 to 15% of the capacity in the boot and shoe industry could produce 95% of the total output if allowed to utilise its full capacity. Monthly Labor Review 32 (January, February, 1931): 52-53; 50-52.



Such price-cutting was prone to spiral and it was not unusual for producers to sell at cost of production simply to stay in business. To secure a strategic advantage some producers sold below their costs for a limited period in the hope that their competitors would bankrupt themselves in their attempts to follow the leader's prices. Inevitably, such price-wars were accompanied by low wages, 'sweated' labour, wastage of natural resources and the idle plant capacity of bankrupt firms.

Businessmen were particularly conscious of excessive competition. According to a survey conducted by the Niagara Hudson Power Co. covering 1,500 manufacturing establishments in New York State, the most widely reported factor hindering business development was "undue competition" and price cutting.<sup>41</sup> Small business was especially vulnerable. Representatives of small business appeared before a Senate subcommittee chaired by Gerald P. Nye in 1931, investigating the amendment of the Federal Trade Commission Act. The witnesses included spokesmen for brick manufacturers, steel constructors, tile manufacturers, marble dealers and plumbing and heating suppliers. Their testimony indicated that 'cutthroat' competition could assume diverse forms. Although price competition was the principal source of complaint it occurred in various guises: invasion of others' sales territory; "bid peddling" or "dickering and peddling" between contractors and sub-contractors; price discrimination and misrepresentation. All were regarded as 'unfair' methods of competition.<sup>42</sup> The purpose of the witnesses was to convince the government of the need to amend the antitrust laws to permit small concerns to collude through trade associations to prevent such practices. As

41. Business Week 19 November, 1930: 27-28.

42. U.S. Congress, Senate, Subcommittee of the Committee on the Judiciary. Hearings on S.2626, S.2627 and S.2628 Amendment of the Federal Trade Commission Act and Establishment of a Federal Court, 72nd Congress, First Session, 1931: 65; 91; 122; 128; 216-218.

the business journal Barron's expressed it: "It is high time for this country to reconsider the subject of 'competition'. Up to date its ideas seem to be marked by a curious ignorance of facts and their consequences."<sup>43</sup>

'Cutthroat' competition drew The Nation's condemnation also. To The Nation's columnist, Heywood Broun, writing before the onset of the depression, it seemed that the consumer could never, in the long run, benefit from price-wars between competitors. "After all," he reflected, "price must depend ultimately upon cost of production, and too many cooks not only spoil the broth but make it more expensive." Although the "innocent bystander" may benefit in the short-term from a price-war, such "deadly struggles" were of short duration and "you may be sure that what the consumer saves during the strife he will later make up in an indemnity to the winner."<sup>44</sup> The firm which survived would have hegemony over its market and the ability to exploit it through inflexibly high prices which would prevail until new capital was attracted to the industry and 'cutthroat' competition resumed once more.

In the long run high prices were not the only consequence of excessive competition. In the very process itself, standards of quality were sacrificed to reduce costs to a bare minimum so that the quality of goods received by the consumer was often inferior.<sup>45</sup> The wages paid to labour were also reduced in order that firms could reduce costs and sell products competitively. The New York State Industrial Commissioner,

43. Barron's 11 (17 August, 1931): 14.

44. Nation: 129 (3 July, 1929): 7.

45. Berle and Means drew attention to the fact that competition was not always a stimulus for the production of quality goods. They noted that much of the production of integrated companies was for their own use in the process of making further goods. The result was often a product of higher quality which incidentally benefited the consumer. Berle & Means, The Modern Corporation, op.cit., 46.

Frances Perkins, revealed the unsatisfactory working conditions and wage levels in the New York garments trades where small employers did business with a minimum of capital and survived only as a result of 'sweating' their labour and becoming price effective in the market. Perkins detected common features in the sweatshops: low wages, long hours and a disregard for the comfort and safety of the workers. For many workers there was no alternative than to seek work in a sweatshop, since the policy of the owners was to locate in a particularly hard-pressed community, set up business, and employ the wives and children of unemployed men. Individual State labour laws were ineffective in dealing with the 'chiseler' in the garments trades, since his mobility enabled him to move from one locality to another and between states to avoid factory inspection.

The continued existence of the sweatshop operator posed manifold dangers for New York State and for the national interest. Perkins condemned the sweatshop not only on humanitarian grounds, but also as an economic affliction. For New York, it meant the loss of much of its textile business to states with looser labour laws; for the "great body of American employers" who attempted to maintain industrial standards, it entailed debilitating rivalry with cheap-price competitors, and for the community it meant that purchasing power was being withheld from those who most needed and could effectively use it. Although Perkins did not believe that the sweatshop was entirely to blame for the industrial depression, she did regard it as a "serious contributing factor". The cost of a five-dollar dress was hence borne not only by the ultimate consumer, but by the community at large.<sup>46</sup>

46. Frances Perkins, 'The Cost of a Five-Dollar Dress', Survey Graphic 22 (February, 1933): 75-78. Idem, et al., 'Do We Need Minimum Wage Laws?', Forum 88 (May, 1933): 282-287. Idem, 'Why We Need a Minimum Wage Law', Nation's Business 21 (July, 1933): 24; 59. See also New Republic 69 (18 November, 1931): 3.

William Green characterised the sweatshop as "a form of industrial brigandry" which had resulted in industries with the lowest standards setting the pace to which all others were obliged to conform. Excessive competition had not only disorganised industry but, since it was not self-sustaining, meant that "industry ceases to be legitimate producing concern". Green attributed excessive competition to the unwillingness of some managers to conform to standards necessary for industrial planning and because the antitrust laws inhibited trade association action as an antidote to excessive competition. Declaring that the era of uncontrolled individualism had passed, Green welcomed the establishment of machinery for associated action to counter the undesirable effects of 'cutthroat' competition.<sup>47</sup>

Nowhere was this consensus in favour of economic planning more pronounced than with reference to the 'sick' industries. Business and labour spokesmen and collectivists appreciated the problems of such industries as oil, coal and textiles which had suffered from excess capacity, intense competition and declining prices since the Great War. These sectors mostly closely approximated the laissez-faire ideal of competitive individualism and were amongst the most unstable in the American economy.

Concern for the oil industry stemmed from the considerable wastage of natural resources in the industry's operation from extraction to distribution. Oil is an industry whose geological peculiarities condition its economic aspects. As the economist George Ward Stocking urged, scientific development of oil reserves designed to secure a maximum of oil at a minimum of cost, would take the geological unit - the oil pool - as its point of departure and would endeavour to utilise it in the most efficient manner possible. In particular, scientific development would

47. American Federationist 40 (June, July, 1933): 568-569; 677.

harness those substances found in association with oil - gas and water - as expulsive agents in oil recovery. However, scientific development was impossible when the geological unit was divided into arbitrary property tracts and when, under a system of unregulated competition they were exploited to the full. The result of such persistent exploitation, Stocking lamented, was waste on a scale "to excite the admiration of the most profligate". Free gas had been permitted to escape unutilised into the atmosphere; gas pressure - the major expulsive force - had been dissipated recklessly and oil fields had been flooded and ruined through the premature encroachment of salt water. Stocking did not blame individuals for these wastes but rather the system which allowed competitive mining of a migratory mineral was responsible. Because oil is a fugacious mineral, tending to move through the pores of the underground rock once the equilibrium of the pool has been disturbed by drilling, without regard to property lines on the surface, under a competitive system once capacity was called into being the operator was compelled to utilise it to the full. Having relatively large fixed costs and facing 'cutthroat' competition, the oil operators were obliged to produce regardless of the price of oil. Should an individual operator choose to curtail or cease production in anticipation of a higher future price for the product, it would benefit a competitor on an adjoining tract who would reduce the fugitive mineral to his possession. "These wastes," Stocking declared, "inevitably flow from the competitive mining of a migratory mineral which recognizes no property lines and transgresses the principle of ownership. They are the product of a system of exploitation based on the principle of robbery."<sup>48</sup>

48. George Ward Stocking, 'Stabilization of the Oil Industry: Its Economic and Legal Aspects', American Economic Review 23 (March, 1933): 55-57. Leverett S. Lyon et al., Government and Economic Life, 2 vols. (Washington, DC, 1940), 2: 994-996. Eugene W. Rostow, A National Policy for the Oil Industry (New Haven, 1948): 16-18. E.P. Salisbury, 'Overproduction in the Oil Industry', in Scoville Hamlin (ed.), The Menace of Overproduction: Its Cause, Extent and Cure, (London, 1930): 18-19.

In addition to these inherent problems in extraction which made for overproduction, the industry was affected by excess capacity and an inadequate demand for its products. Overproduction of the raw material naturally led to surplus refining capacity and marketing and distributing facilities and they, in turn, exacerbated competition in the industry. Independent refiners pressured producers on price and volume due to their inability to compete, except on price, with the patent-protected high octane grades of corporate competitors. The chain was completed by independent wholesalers and retailers who demanded price concessions from refiners since they could not compete otherwise but on price with the 'branded' gasoline of integrated competitors. Hence at every process in the chain from extraction to distribution there was competition for gallonage between the major companies and the independents, and this competition was based on price.<sup>49</sup> A further problem faced by the industry was that demand for its major product, gasoline, was not elastic enough to keep pace with the increased production of oil and the increasing percentage yield of gasoline from crude oil. The most dramatic manifestation of overproduction and inadequate demand during the depression was the outbreak of price wars in the retail sector involving not only majors against independents, but between leading companies such as Standard, Dutch Shell and Gulf.<sup>50</sup>

Stocking believed that this precarious situation had first become apparent during 1927 when accumulating stocks had so weakened the oil price structure that it could not withstand the shock of the Oklahoma

49. Stocking, 'Stabilization of the Oil Industry', op.cit., 57-58. Independent producers accounted for over 40% of total crude output. See Ruth W. Ayres, 'The Petroleum Industry', in George B. Galloway et al., Industrial Planning under Codes (New York, 1935): 189-193.
50. Lawrence M. Hughes, 'Your Gasoline Tank', Nation 132 (18 February, 1931): 178-180. Sidney A. Swensrud, 'Distribution Problems of the Oil Industry', Parts 1 and 2. Harvard Business Review 9 (July, 1931): 389-399; Ibid., 10 (October, 1931): 78-84.

Greater Seminole fields strike and the resultant substantial output.<sup>51</sup> By 1929, the industry had reached a crisis with production of crude petroleum reaching 1,007,323,000 barrels, a new record high and an increase of 105,849,000 barrels (12%) over 1928. The year, remarked the Bureau of Mines, was "the first billion barrel year for the United States".<sup>52</sup> Overproduction and competition were intensified in 1931 when rich new fields began to be exploited in eastern Texas and increased quantities of cheap foreign fuel were imported into the United States.

In response to the oil industry's chronic problems, exacerbated by the depression, a broad consensus developed on the desirability of planning to prevent overproduction and falling prices. Such an accord had been developing since the turn of the century, as oil operators became concerned about declining profits and liberals grew anxious about conserving a precious natural resource. Since the State of Oklahoma fixed the minimum price of crude oil in 1907 to counter the effects of overproduction in the Glenn Pool fields, both had looked to government for assistance with the industry's problems. This trend was furthered by the positive and beneficial relationship developed between oil operators and the Fuel Administration during World War I.<sup>53</sup>

Industry's initial response to the crisis of the late 1920s was to exhort producers to reduce output voluntarily, through the industry's trade association, the American Petroleum Institute and the Federal Oil Conservation Board. The industry also turned to the states and action was taken individually and collectively at State level to effect production curtailment. Both Oklahoma (1927) and Texas (1930) enacted compulsory

51. George Ward Stocking, 'Chaos in the Oil Industry', Nation 136 (7 June, 1933): 634.

52. G.R. Hopkins and A.B. Coons, 'Petroleum in 1929', in Department of Commerce, Bureau of Mines, Mineral Resources, 1929 (Washington, DC, 1931), Part 2: 421.

53. Gerald D. Nash, United States Oil Policy, 1890-1964 (Norman, 1968): 16-17; 22-44.

proration statutes with the support of the major operators, and in 1931 nine oil-producing states organised an Oil States Advisory Committee to coordinate curtailment activities. However, support for proration was strongest in the large integrated concerns and weakest among the independents who believed that they would be unduly disadvantaged by production restrictions. Consequently, 'hot oil' continued to be produced even in those states where proration laws were in effect and in both Oklahoma and Texas martial law was declared to 'shut down' capacity.<sup>54</sup>

Sentiment emerged for a modification of the antitrust laws to allow cooperation between firms to prevent overproduction and President Hoover was expected to champion the cause. However, after initial high hopes for the Hoover administration's stance on the oil issue collectivists and operators were subsequently disabused by the President's course.<sup>55</sup> Despite the President's recognition of the problems faced by natural resource industries during the depression and his sympathy for selective revision of the antitrust statutes, he remained unwilling to lead the revision movement.<sup>56</sup>

By 1933 considerable sentiment existed for regulation of the oil industry, the first steps having been taken by the industry itself when it attempted to effect a voluntary proration programme. Its failure convinced many collectivists and operators alike that only the Federal Government possessed the necessary authority to solve the industry's problems. Labour spokesmen were particularly concerned about the mounting unemployment in the oil industry and those allied to it. One estimate

54. Ibid., 110-127. Elmer Davis, 'Can Business Manage Itself?', Harper's 162 (March, 1931): 391. Avis D. Carlson, 'Drowning in Oil', Ibid., 163 (October, 1931): 608-617. Keith L. Bryant, Jr., Alfalfa Bill Murray (Norman, 1968): 198-200; 243-244.

55. The Nation was initially optimistic about President Hoover's conservationist intentions. See Nation 128 (27 March, 1929): 359.

56. President Hoover's attitude to antitrust revision is discussed in Chapter 6.



in 1931 put unemployment due to the problems of the industry at 382,000, with a cost to wage earners in salaries of \$1,974,000 per day.<sup>57</sup> For many businessmen, collectivists and labour spokesmen alike, a policy of laissez-faire was regarded as grossly inappropriate for the circumstances in which the oil industry found itself.

A similar situation to that in oil existed in cotton textiles. The cotton textile industry suffered from over-expansion during the Great War, and while overall spindle capacity decreased in the 1920s overproduction remained a feature of the industry due to excess capacity stimulated by low investment requirements to enter the industry and the practice, especially in the South, of extending operating man-hours. Overproduction was particularly serious since the market for cotton textiles was threatened by the availability of substitutes such as paper and rayon, and during the depression demand was further affected by the slump in consumers' incomes. As a result overproduction provoked a parallel trend in the industry - declining profits. In 1926, a generally good business year, more cotton textile corporations reported deficits than those reporting profits, and in 1929, the peak year of corporate profits, the industry earned less than it had during the recession of 1920-1921. The depression exacerbated this tendency, large net losses being recorded between 1930 and 1932 and in 1932, according to income tax returns, 75% of operators sustained losses.<sup>58</sup>

As in the oil industry, initiative in textiles was taken by the industry's trade association, the Cotton Textile Institute, which sponsored programmes to curtail production by voluntary limitation of working

57. T.F. Hunter to Representative Guinn Williams n.d. Reprinted in Congressional Record 74, 71st Congress, Third Session, 1931: 5300-5301.

58. Julius Backman and M.R. Gainsbrugh, Profits and Losses in Textiles: Cotton Financing Since the War (New York, 1936): 195-200. George A. Sloan, 'The Cotton Textile Industry under the N.R.A.', in Galloway, 'Industrial Planning', op.cit., 118-120. Edmund P. Learned, 'The Cotton Textile Situation', Harvard Business Review 14 (Autumn, 1935): 30-32.

hours in all textile mills. However, as in oil, despite support for its endeavours, the Institute's policies were bedevilled by 'non-conformers' who believed that competition rather than stabilisation better served their own interests. The failure of voluntarism inspired 'advanced' elements in the industry to seek government authority to make curtailment schemes binding. Throughout 1932 and during the last months of the Hoover administration, the C.T.I. conducted negotiations with the Department of Commerce and with the President himself to urge the establishment of a national board; this would investigate conditions in depressed industries and through trade associations, freed from the strictures of the antitrust laws, apply measures involving "economic planning" and cooperative action to master overproduction.<sup>59</sup>

The problems of the bituminous coal industry attracted considerable attention during the early phase of the depression. Demand for coal during the Great War had overextended the industry, and subsequent markets were inadequate to sustain it profitably at its 1918 capacity. During the 1920s the industry suffered from a declining demand for its product and an increase in production. The rivalry of energy substitutes such as petroleum, natural gas and hydro-electric power, together with improvements in the utilisation of coal by industry were instrumental in reducing demand. At the same time, although capacity was reduced in the industry as the market declined, mechanisation increased productivity by an estimated 25% and the industry remained overdeveloped. The result was 'cutthroat' competition wherein operators attempted to utilise their full capacity and drove down the price of bituminous coal in the process.

59. Louis Galambos, Competition and Cooperation: The Emergence of a National Trade Association (Baltimore, 1966): 157-190. Sloan, 'The Cotton Textile Industry', *op.cit.*, 117. Milton Handler (ed.), The Federal Antitrust Laws: A Symposium (Chicago, 1932): 76-90.

The depression exacerbated existing problems. While production of soft coal experienced a 42% decline between 1929 and the depression low-point of 1932, and the producer received 26% less in average value per ton, the number of mines in operation declined by only 10%. Such persistence on the part of the owners and operators can be explained, in part, by their ability to reduce costs by lowering wage levels. Although total employment declined by only 8% during these three years, wages and time worked declined more significantly. On average, mine workers received in 1932 only 54% of the wage level in 1929 and worked for 34% fewer days. At the same time, operators were able to reduce fixed costs by retarding mechanisation. In 1932, 35% less coal was mechanically extracted, cleaned and loaded than it had been in 1929.<sup>60</sup>

There were strident arguments for the adoption of planning in the bituminous coal industry: to balance production with demand, increase prices, rationalise the industry and increase productivity, allow workers a fair day's pay for a fair day's work and to preserve an exhaustible natural resource. Broad agreement was reached between unions and some operators on the need to plan, and modification of the antitrust laws to permit cooperation between independent units was considered indispensable in this respect. However, although legislation was introduced to permit cooperative activity, the aims of the planners in the coal industry were thwarted by disagreements as to the nature of planning and where control of the planning process should be ultimately located.

60. Sydney A. Hale, 'The Bituminous Coal Mining Industry', in George B. Galloway *et al.*, Industrial Planning Under Codes (New York, 1933): 162-165. C. E. Bockus, 'The Cost of Overproduction in the Bituminous Mining Industry', in Scoville Hamlin (ed.), The Menace of Overproduction: Its Cause, Extent and Cure (London 1930): 2-11. Waldo E. Fisher and Charles M. James, Minimum Price-Fixing in the Bituminous Coal Industry (Princeton, 1955): 5-13. Ethelbert Stewart, 'Extent of Overdevelopment in the Bituminous Coal Industry', Monthly Labor Review 32 (February, 1931): 50-51. Wattenberg (ed.), Statistical History, *op.cit.*, 170; 589; 591.

The movement towards private and public regulation of such chronically depressed industries as oil, textiles and coal gained a broad-based support due to the forceful arguments that could be mustered in its favour. The undesirability of dislocation and disorganisation in such major industries was obvious to all since the ramifications for the overall economy were grave. Although competition provided purchasers with cheaper prices, rather than stimulate business activity, it acted in reverse, for erratic price structures inhibited industries and domestic consumers from purchasing. For the operator, successful restriction of production would eliminate much excess capacity and stabilise prices at a higher plateau than prevailing levels. The plight of labour in these depressed sectors evoked both a humanitarian concern and an economic one. As 'cutthroat' competition forced employers to lower wage rates to reduce costs, anxiety was expressed about the welfare of the worker and the effect of the reduced purchasing power of these consumers on general economic activity. Two of these industries - coal and textiles - were specifically mentioned in the A.F. of L.'s Executive Council Report of November, 1929 as conspicuous for "lack of management" and "badly balanced production and irregular employment".<sup>61</sup> Further support for regulation came from those allied industries and communities dependent upon these depressed industries. A broad range of interests was adversely affected by the fortunes of these industries, from the construction and steel industries and the railroads at one extreme, to community merchants, farmers who supplied cotton to textile factories, and landowners dependent upon payments by oil companies for the lease of their lands, on the other. Conservationists, too, could support the extension of regulation to the

61. Report of the Proceedings of the 49th Annual Convention of the American Federation of Labor, Toronto, Ontario, Canada, 7-18 October, 1929 (Washington DC, 1929): 37-39.

natural resource industries since it would encourage the application of scientific practices and a more effective utilisation of valuable and finite national assets. Finally, disorganisation in these sectors offended collectivists' belief in man's capacity to control his environment in the best national interest and to instill order and efficiency into industry. Whether such regulation should be accompanied by a strong government interest or whether control by the industry itself was contemplated, the example of the 'sick' industries testified to the inadequacy of laissez-faire as a governing principle for industrial development.

Technological change was a contributory factor to the problems of 'sick' industries since it increased productivity in sectors where demand was already inadequate. Another implication which was widely discussed during the early years of the depression was its effect on employment. The phenomenon of technological unemployment provided further ammunition for those critics of laissez-faire who claimed that it was an unsound theoretical basis for an industrially-advanced society.

The subject began to attract widespread attention in the 1920s when improvements in technical efficiency displaced workers from industry.<sup>62</sup> After the onset of the depression awareness of technological unemployment was deepened with the publication of studies of specific situations in which workers were displaced by machines and by the sensational and sophistic revelations of the Technocrats during the last months of Hoover's office. The issue evoked much interest amongst

62. Irving Bernstein, The Lean Years: A History of the American Worker, 1920-1933 (Baltimore, 1966): 60-62. Joseph Dorfman, The Economic Mind in American Civilization, 5 vols. (New York, 1969), 5: 604.

economists, and in the journal press especially, since there was disagreement as to whether machinery threatened to replace workers permanently or whether technological unemployment was merely a temporary phenomenon.<sup>63</sup> Whichever, most agreed that the hardships endured by those affected by technological progress should be cushioned in the process of adjustment and that some form of planning was essential to safeguard the workers' interests.

Generally, there were three schools of thought on the significance of technological unemployment. The first contended that unemployment was not necessarily the corollary of technical progress. While hardship did accompany adjustment, technological advances eventuated in lower prices to the consumer and enlarged demand, which resulted in re-employment for those made redundant by technology. As such, there was no real cause for concern.<sup>64</sup> At the other extreme, the economist, Alvin H. Hansen saw no reason why labour displaced by machinery should not remain permanently unemployed. Hansen claimed that technological gains would not be translated into an increased demand. The aggregate purchasing power would remain the same but would rest in fewer hands, and the demand from this sector would increase only to a level for which the machine process could produce without re-employing workers.<sup>65</sup> A third school accepted.

63. For a survey of the contemporary state of economic thought on technological unemployment and an intended response to the Technocrats in itself, see Leo Wolman, 'Machinery and Unemployment', Nation 136 (22 February, 1933): 202-204.

64. Myron C. Taylor, 'An Address at Colgate University, Hamilton, New York, Special Convocation, 12 April, 1929'. Taylor MSS: Box 22. F.D.R.L. Commercial and Financial Chronicle 130 (19 April, 1930): 2649-2651. Fabian Franklin, 'The Specter of Overproduction', Forum 84 (December, 1930): 367-370.

65. Alvin H. Hansen, 'Institutional Frictions and Technological Unemployment', Quarterly Journal of Economics 45 (August, 1931): 686-687. Idem, 'The Theory of Technological Progress and the Dislocation of Employment', American Economic Review 22 (March, 1932): 25-31, (Supp.) Hansen was a business cycle theorist. Despite his pessimism about technological unemployment he had reservations about government intervention to remedy the problem.

the view that ultimately displaced workers would be reabsorbed into industry, since technological development not only increased effective demand by reducing prices but also created new enterprises which would absorb labour. However, emphasis was placed on the problems of adjustment for the displaced worker and the need to cushion the effects of technological unemployment. As Dexter S. Kimball, Dean of Engineering at Cornell, expressed it: "We need not be troubled ... as to the final results of such metamorphoses. It is the immediate results of such changes that are now engaging the attention of the thoughtful man."<sup>66</sup> Similarly, the economist Paul H. Douglas, while optimistic of displaced labour's ultimate re-absorption into industry, believed that more attention should be paid to the process of readjustment for the displaced worker: to "those temporary frictions which the economist blithely ignores".<sup>67</sup>

Available evidence emphasised the problems involved in readjustment and the number of workers obliged to undergo the process. David Weintraub of the National Bureau of Economic Research estimated that between 1920 and 1931 over three million wage earners in manufacturing, coal mining, and railroads had been displaced by technological improvements, an average of about a quarter of a million a year. While these workers were eventually reabsorbed, Weintraub calculated that the average period of unemployment was nine months, corroborating Isador Lubin's previous findings of 1929.<sup>68</sup> Clague and Coupers' studies of employees made redundant by the U.S. Rubber Company in 1929 confirmed the extensive

66. Dexter S. Kimball, 'Social Effects of Mass Production', in Charles F. Roos (ed.), Stabilization of Employment (Bloomington, 1933): 62. Kimball's emphasis.

67. Paul H. Douglas, 'Technological Unemployment', American Federationist 37 (August, 1930): 923-950. Douglas was a specialist in labour economics at the University of Chicago and an active social reformer.

68. David Weintraub, 'The Displacement of Workers through Increases in Efficiency and their Absorption by Industry, 1920-1931', Journal of the American Statistical Association 27 (December, 1932): 399. Isador Lubin, The Absorption of the Unemployed by American Industry, (Washington, D.C., 1929).

hiatus between dismissal and reemployment, although their researches suggested a more conservative average of between four and five months. They also discovered that the majority of workers reemployed failed to secure jobs paying wages equal to those of their last employment; rather they were forced to accept decreases averaging between thirty and forty percent.<sup>69</sup> Elizabeth Faulkner Baker recorded another dislocation associated with technological change which, while not resulting necessarily in unemployment, introduced friction into industry. From studies of the effects of technical change in New York's commercial printing industry, Baker concluded that despite installation of new equipment, demand for labour had not slackened. However, improved technique resulted in a qualitative change in the nature of skills demanded of employees and problems of readjustment in this instance involved a surfeit of unskilled and semi-skilled labour in a situation where skilled labour was required as the industry changed from hand-fed to machine-fed presses.<sup>70</sup>

One particular facet of technological unemployment which aroused concern was that the older workers bore a disproportionate burden of this type of unemployment. Writing in 1929, Stuart Chase remarked on the increasing difficulty experienced by men over forty years in retaining their jobs and finding new ones. 'Old-age' unemployment, he wrote, "is something new, a cancer which has fastened upon the industrial order almost without our knowing it". Chase noted that the phenomenon was to be explained, in part, by the adoption of group insurance schemes in industry and a reluctance on the part of employers to pay the higher

69. Ewan Clague and W.J. Couper, 'The Readjustment of Workers Displaced by Plant Shutdowns', Quarterly Journal of Economics 45 (February, 1931): 326-336.

70. Elizabeth Faulkner Baker, Displacement of Men by Machines: Effects of Technological Change in Commercial Printing (New York, 1933): 38-39; 80; 182.



premiums required for older participants.<sup>71</sup> But of greater significance was technological innovation which was reducing industry's labour requirements and making the labour of the older worker particularly dispensable. "Invention is eliminating labor at an unprecedented rate," Chase reflected, "and it is the man over forty who is being hit the hardest."<sup>72</sup>

Evidence for discrimination against older workers in industry was provided by studies such as those of Clague and Couper, and by Robert J. Myers' study of redundancy in the Chicago cloth industry. Myers concluded that younger men changed jobs fewer times, lost less time before securing re-employment, had relatively more increases and fewer decreases in earnings. Men over thirty-nine were disadvantaged in each respect.<sup>73</sup> Reports from the states indicated that industry was adopting a conscious and deliberate age bar to hiring. A survey by the Maryland Commissioner of Labor and Statistics disclosed that employers of over 30% of the workers covered in the project had definite age limits and a survey by the California Department of Industrial Relations revealed that while only 11% of the replies were affirmative, they represented 39% of the workers covered.<sup>74</sup>

71. Stuart Chase, 'Laid Off at Forty', Harper's 149 (August, 1929): 340-344.
72. Idem, Men and Machines (London, 1929): 212.
73. Robert J. Myers, 'Occupational Readjustment of Displaced Skilled Workmen', Journal of Political Economy 37 (August, 1929): 487-489.
74. Monthly Labor Review 32 (February, 1931): 30-39. State of California Department of Industrial Relations, Middle-Aged and Older Workers in California (San Francisco, 1930): 14-40. See also an industrial employment supervisor's defence of maximum hiring age limits in Millicent Pond, 'Maximum Hiring Age Limit in Industry', American Labor Legislation Review 19 (December, 1929): 351-354.

For Sumner H. Slichter it was regrettable that the costs of technological change fell upon the community at large rather than upon those who encouraged and would ultimately benefit from it - the owners and managers. In effect the nation was subsidising technological change in industry, and as a result "the cost of change tends to be excessive". Slichter was adamant that wage earners be protected from industrial changes unfavourable to them.<sup>75</sup> Stuart Chase regarded technological unemployment as one manifestation of a developing economy which was unable to provide security of employment for its workers.<sup>76</sup> Chase was sceptical that technologically displaced workers could continue to be reabsorbed by industry and services (the "blotting-paper trades") since change was ongoing and displacing workers to a point beyond the capacity of the distribution system and 'new' industries to absorb them. "I am seriously afraid that accelerating unemployment is here," Chase reflected and "that the park bench is destined to grow longer."<sup>77</sup> In such circumstances there was a need for planning to anticipate and control the effects of technological unemployment.

Organised labour had a vested interest in the subject. In 1930 The American Federationist deplored the fact that technological unemployment remained an unsolved problem and urged that it should be a national priority "to install technical progress so that labor will not fear science".<sup>78</sup> William Green recognised both the problem and society's "obligation" to those displaced at the A.F. of L.'s Toronto convention of 1929 and at Boston in 1930 the Executive Council demanded that

75. Sumner H. Slichter, 'Lines of Action, Adaptation and Control', American Economic Review 22 (March, 1932): 41-42, (Supp.).

76. Stuart Chase, 'The Nemesis of American Business', Harpers 161 (July, 1930): 136.

77. Idem, 'The Iron Bouncer', in Morse A. Cartwright (ed.), Unemployment and Adult Education: A Symposium on Certain Problems of Re-Education arising from 'Permanent Lay-Off' (New York, 1931): 15. Idem, Men and Machines, op.cit., 215.

78. American Federationist 37 (May, 1930): 530.

President Hoover arrange a special study of technological unemployment and related problems.<sup>79</sup> In 1932, Green expressed concern that industry would effect more technical improvements once revival got underway and obsolescent machinery was replaced. He predicted that 55% of the unemployed would be unable to recover their jobs. For Green a crossroads had been reached where the social aims of technological progress needed to be defined. "Shall this technical progress create the misery and waste of unemployment," he asked, "or shall it bring higher standards of living and the opportunities of leisure with income to all?"<sup>80</sup>

The Hoover administration accepted the existence of technological unemployment and attempted to gauge its extent through surveys conducted by the Department of Commerce.<sup>81</sup> Hoover recognised that technological and managerial efficiency was "shifting men in industry with a speed we have never hitherto known" and that the subject of technological unemployment was one of "profound importance".<sup>82</sup> Despite the fact that Hoover understood that labour-saving devices had displaced more than two million workers during the 1920s he saw no reason for alarm and was confident that "the problem is not at all insurmountable in the long run". The President expected that the economic system would "revolve" to enable displaced workers to be reabsorbed by new industries. These new

79. Proceedings, 49th Annual Convention, A.F. of L., 1929, op.cit., 7-8; 35-37; 41; 94-98; 256-257. Proceedings, 50th Annual Convention, A.F. of L., 1930, op.cit., 63; 89-91.

80. American Federationist 39 (October, 1932): 1099.

81. Robert P. Lamont to John P. Frey, 27 March, 1930. Frey MSS: Box 9, File 131.

82. Address before Chamber of Commerce, 1 May, 1930. State Papers, op.cit., 1: 295.

industries, the products of American innovation which had initially displaced workers, would not only reabsorb ingenuity's victims, but would increase the general standard of living in the process. Such optimism did not make Hoover sanguine for he appreciated the transitional difficulties for the displaced worker. "There is a period of readjustment in each case of new discovery and industry has need of a larger understanding of the facts."<sup>83</sup> By 1932 the problem had become more urgent. In his 'Labor Speech' at Cleveland on 15 October, he admitted that new industries and services had failed to take up the slack of employment caused by the adoption of labour-saving machinery in the established sectors. Embarking on his 'Share-the-Work' drive, the President felt that hours limitation was the most efficacious remedy.<sup>84</sup> The report of the Committee on Recent Social Trends confirmed this attitude. "At best, the problem of technological unemployment promises to remain grave in the years to come."<sup>85</sup>

Technological unemployment as an issue received considerable publicity and excited public attention after the publication of a series of three articles on Technocracy by Wayne W. Parrish which appeared in Alfred E. Smith's The New Outlook between November 1932 and January 1933. Parrish outlined Technocracy's claims that mechanical energy was displacing labour manpower at such a rate that by 1934, over twenty million workers would be unemployed in the United States. These claims were accompanied by dramatic supporting statistical evidence which revealed enormous increases in the productivity of labour using technology and the prediction that future developments would eliminate increasing

83. Address at the 50th Annual Convention of the A.F. of L., Boston, Mass., 6 October, 1930, Ibid., 393.

84. Ibid., 2: 394.

85. Recent Social Trends, op.cit., 1: xxviii.

numbers of workers from industry.<sup>86</sup> Claims such as the one that one hundred men in fully mechanised plants could produce the total national brick output evoked much controversy and were shown to be demonstrably false.<sup>87</sup> By the end of January 1933, the Columbia-based organisation led by Howard Scott had been thoroughly discredited, much of its evidence having been found false or fatuous. Nevertheless, commentators in liberal, business and labour quarters saw merit in the movement for bringing the issue of technological unemployment to the public's attention.

George Soule, otherwise critical of Technocracy, regarded its principal contribution as gaining publicity for the problems and potential of technology. In this sense, the organisation served a positive function for it acted as an agent of social change. "The Technocrats like most advocates of economic planning, are helping to change people's ideas so that they will be more ready to support new political forms and powers. They serve a function in the large complex of social change."<sup>88</sup> Writing for The Nation,<sup>the poet,</sup> Archibald MacLeish hoped that rejection of Technocracy's evidence and its leadership would not lead to "the neglect of issues we cannot afford to neglect"; and after Technocracy split

86. Wayne W. Parrish, 'What is Technocracy?', New Outlook 161 (November, 1932): 13-18. Idem, 'Technocracy's Question', Ibid., 161 (December, 1932): 13-16; 18. Idem, 'Technocracy's Challenge', Ibid., 161 (January, 1933): 13-16; 18.

87. The most effective critic of Technocracy's claims was John H. Van Devanter, editor of Iron Age. His refutations of the movement's data were used by other critics. See Iron Age 130 (1, 22 December, 1932): 849-850; 960-963; 16 (ad.); 131 (26 January, 1933): 159-161; 10 (ad.). For other criticisms of Technocracy, see J. George Frederick (ed.), For and Against Technocracy: A Symposium (New York, 1933): 31-75. Simeon Strunsky, 'A Challenge to Technocracy', New York Times Magazine, 8 January, 1933.

88. George Soule, 'Technocracy: Good Medicine or a Bedtime Story?', New Republic 73 (28 December, 1932): 180.

into rival groups at the end of January, The Nation considered the schism unfortunate since it would be construed as proof of the weakness of Technocracy's theories and the inaccuracy of its findings.<sup>89</sup> Stuart Chase, while unimpressed with Technocracy's statistical evidence, was committed to the movement's general thesis about the advance of the machine and the displacement of labour. "The trend I cannot doubt," Chase asserted, "even though certain details may be erroneous or incomplete."<sup>90</sup> In The Survey Graphic, Leon Whipple congratulated Technocracy's critics on the thoroughness of their research into the accuracy of the movement's claims but regretted that they had generally failed to point out the value of the ideas underlying them.<sup>91</sup> Harlow S. Person of the Taylor Society grieved the sensationalism of Technocracy, fearing that it would blind Americans to its fundamental ideas. He continued:

In a few weeks it has focussed public attention on the significance of technological change. It has made us face, at least for a moment, the changing status of human labor, the possibilities implicit for all of us in the vast power resources of our Machine Age. It has wrested our attention from individual problems and plunged us into both fear and hope for our common future.<sup>92</sup>

Speaking for labour, William Green recognised the validity of the criticism levelled at the movement but contended that its intrinsic shortcomings were less significant than its location of "a crucial problem in our social progress",<sup>93</sup> For Spencer Miller, Jr., secretary

89. Archibald MacLeish, 'Machines and the Future', Nation 136 (8 February, 1933):140. Ibid., 136 (1 February, 1933): 105.

90. Stuart Chase, Technocracy: An Interpretation (New York, 1933): 16.

91. Leon Whipple, 'Rockets do Light No-Man's Land', Survey Graphic 22 (March, 1933): 176-177.

92. Harlow S. Person and Beulah Amidon, 'Economics Make the Front Page', Ibid., 158.

93. American Federationist 40 (February, 1933): 123.

of the Workers' Education Bureau of America, Technocracy's thesis was "so sweeping and overwhelming" that it was impossible to ignore.<sup>94</sup> Neither was the movement devoid of sympathy from industry. Henry I. Harriman, president of the U.S. Chamber of Commerce, actually used Technocracy's data in a speech in December 1932, to illustrate his theme of the increased productivity of American industry and its economic and social effects.<sup>95</sup> Coal Age decried the "brimstone publicity" received by the organisation and regretted that "what should be a valuable research study suffers from premature and sensational exploitation".<sup>96</sup> Textile World suggested that the depression should have taught Americans an important lesson: that their machine civilisation needed to be planned and directed into channels of social usefulness. As such it could applaud the Technocrats for drawing public attention to the problems involved.<sup>97</sup> L.W.W. Morrow, editor of Electrical World claimed that Technocracy's revelations deserved an official investigation which would begin with ascertaining facts rather than devising theory.<sup>98</sup> Even Iron Age, the most vociferous of the organisation's critics could concede that however flawed were Technocracy's claims, they did present a challenge to industry to respond to the problems that had been emphasised.<sup>99</sup>

94. Proceedings, 52nd Annual Convention, A.F. of L., 1932, op.cit., 182.

95. Henry I. Harriman, 'Sound Business Policies Essential to Security': an Address delivered at the 26th Annual Convention of the Association of Life Insurance Presidents in New York City, 9 December, 1932. Henry I. Harriman File: Chamber Library.

96. Coal Age 38 (January, 1933): 2.

97. Textile World 83 (January, 1933): 37.

98. Electrical World 100 (14 January, 1933): 60-62.

99. Iron Age 130 (22 December, 1932): 951. See also Steel 91 (5 December, 1932): 18.

Like the Technocrats, few commentators wished to retard technological progress to avoid unemployment stemming from it, although few would have endorsed Technocracy's prescription of central, unified control of the economy. Collectivist intellectuals, businessmen and labour spokesmen joined in stressing the social potential of technological progress.

Edward A. Filene contended that technological progress was a prime agent for human betterment in both material and aesthetic senses. It would furnish the individual with increased earning and buying power and provide him with the leisure to strengthen both "soul" and "spirit" through educational opportunities and involvement in cultural pursuits. However, Filene understood that until employers accepted that the future of industry and business was irrevocably intertwined with the economic welfare of those they employed and who consumed their products, social progress would be limited. By the end of 1932, Filene had come to endorse the thirty-hour week with a guaranteed minimum wage as a response to cyclical and technological unemployment.<sup>100</sup> Stuart Chase could agree with Filene about the potential of technology. "By and large," he wrote, "we stand to gain more than we lose by the emergence of the technical arts and the economic specialization which they have created."<sup>101</sup> Industry had the potential to create a vast quantity of goods and services, produced efficiently and at low cost. These gains could be passed on to the consumer who, in turn, would be liberated from his present material preoccupations through the very abundance of goods created. Technological

100. Edward A. Filene, 'Mass Production Makes a Better World', Atlantic Monthly 143 (May, 1929): 626-627. Idem, 'The New Capitalism', The Annals 149 (May, 1930): 6-9. Idem, Successful Living in this Machine Age (New York, 1932). New York Times, 1 January, 1933.

101. Stuart Chase, 'Prometheus Enchained', in The Nemesis of American Business and Other Essays (New York, 1931): 102.



unemployment was bound to occur, but if technological progress was controlled and allowance made for displaced victims, it should not cause concern. The "logical, sensible and only final answer" was to shorten working hours. Instead of making some men redundant, the available work should be 'spread' without loss of earning power. The whole nation would then share in technological advances: the worker in a steady job with fewer hours; the owner gaining more reliable markets and profits due to undiminished purchasing power.<sup>102</sup> Rexford G. Tugwell expressed the same concern that concentration on the unemployment aspects of technological progress would obscure the social gains possible. Tugwell urged Americans to accept "the obsolescence of occupations" as desirable. Once this acceptance had become universal then unemployment would become "another sort of problem, to be met in very different ways". A more positive approach to unemployment could be made, Tugwell argued, with the accent on how to fully utilise leisure time. "It is man's destiny," he reflected, "to perform those functions which machines can never do - the thinking and contriving ones."<sup>103</sup>

The A.F. of L. was not hostile to mechanisation. As John P. Frey admitted to the English trade unionist W.A. Appleton, labour had benefitted from technological change during the 1920s through higher real wages.<sup>104</sup> This faith in a harmony between labour's interests and technology was asserted by William Green in September 1930, in a speech at a Labor Day State Fair at Syracuse, New York, where he claimed that

102. Idem, 'The Nemesis of American Business', op.cit., 130. Chase's recommendations for the amelioration of technological unemployment also included public works, raising the minimum hiring age limit of workers, dismissal compensation and unemployment insurance.

103. Rexford G. Tugwell, 'The Theory of Occupational Obsolescence', Political Science Quarterly 46 (June, 1931): 171-181; 227. See also Idem, 'Occupational Obsolescence', in Cartwright (ed.), Unemployment and Adult Education, op.cit., 20-22.

104. John P. Frey to W.A. Appleton, 10 January, 1930. Frey MSS: Box 1 File 5.

recovery could be generated through "the application of scientific production and sales methods" in tandem with systematic long-term planning.<sup>105</sup>

Glenn Frank, president of the University of Wisconsin, summed up the prevailing attitude towards technology and its effects in Thunder and Dawn (1932). Economic maladjustments had accompanied technological progress, but the fault for this lay not in mechanical progress itself. The problem lay in the inability of political and industrial leadership to comprehend the implications of technological change for the economy as a whole:

The machine order has not failed us. It is the economic order that has gone awry. The maniac may slash his throat with a razor without indicting the razor as a useful shaving tool for sane men.<sup>106</sup>

Legislative recommendations were made in 1932 by Representative David J. Lewis (Maryland) and Senator Hugo L. Black (Alabama) to share available employment between all workers. While the bills were primarily motivated by the unemployment caused by the business depression, both asserted their relevance to the problem of technological unemployment. Lewis introduced a bill to legalise workers' right to work and to share available employment on 11 January, 1932.<sup>107</sup> In testimony before the Committee on Ways and Means, he declared that advances in technology accounted for a large proportion of current unemployment and that while progress was desirable it should not abridge "fundamental rights". Sharing available work would protect workers' right to work and cushion the effects of technological change.<sup>108</sup>

105. Commercial and Financial Chronicle 131 (6 September, 1930): 1480.

106. Glenn Frank, Thunder and Dawn (New York, 1932): 364-365.

107. H.R.7448.

108. US.Congress, House, Committee on Ways and Means. Hearings on H.R.7448, Legalizing Worker's Right to Work and to Share of Available Employment, 72nd Congress, First Session, 1932: 1-2.

Black also regarded his thirty-hour week bill, introduced on 21 December, 1932 as an antidote to technological unemployment.<sup>109</sup> Black was convinced that advances in technology had created a situation in which the thirty-hour week was adequate to fulfil the demands of American domestic and foreign commerce. Rather than have the owners derive exclusive benefit from technological change, the worker should profit also through shorter hours. There was no reasonable argument for long hours. Black dismissed as a "fallacy" the opinion that human wants were insatiable and stressed that leisure was a desired alternative. Also, technological advances accomplished in the context of long working hours threatened to add to technological unemployment. Black dismissed as "sophistry" the thesis that machines created new wants and absorbed displaced labour. The alternative to increasing technological unemployment was increased leisure, which he considered to be a beneficial end in itself: "I look upon reasonable leisure as a blessing, not a curse."<sup>110</sup>

The shorter working week was only one of several approaches proposed to counter technological unemployment. Advocates of the dismissal compensation wage argued that redundancy benefits would cushion readjustment for the displaced worker and facilitate reemployment.<sup>111</sup> Unemployment insurance had its champions amongst labour leaders not inhibited by the movement's traditional voluntarism and in 'enlightened' business leaders such as Gerard Swope and the fifteen companies that the Metropolitan Life Insurance Company discovered in 1931 had initiated unemployment

109. S.5267.

110. Congressional Record 76, 72nd Congress, Second Session: 4305; Ibid., 77, 73rd Congress, First Session: 1127; 1183; 1191; 1444.

111. Everett D. Hawkins, 'The Dismissal Compensation Movement', The Annals 165 (January, 1933): 24-30. Sumner H. Slichter, 'Pharaoh Dreams Again', Atlantic Monthly 148 (August, 1931): 248-252. Business Week, 30 September, 1931: 15-16.

benefit schemes.<sup>112</sup> The engineer, David Cushman Coyle contended that the answer to technological unemployment was a vigorous programme of public works, sponsored by the Federal Government to create employment in the service sector.<sup>113</sup> Summer Slichter suggested the creation of a federal labour board which would observe and forecast the effects of technical change in industry, devise plans to facilitate adjustment and recommend them to industries concerned.<sup>114</sup>

In all the proposals, awareness of the need to control the effects of technological change revealed a widespread dissatisfaction with economic laws which were indifferent to the plight of displaced labour. As Summer Slichter wrote:

For two centuries now, we have permitted the Juggernaut of industrial revolution to run wild .... Is it not high time that we recognise that change is bound to occur too rapidly and to produce misery and degradation unless it is controlled and intelligently directed and unless men are assisted to adjust themselves to their environment? Is it not high time that we recognise that change is now occurring on such a vast scale that we can no longer simply permit it to happen regardless of the consequences which it produces.<sup>115</sup>

An issue frequently associated with technological unemployment, and which provided a further avenue of criticism of laissez-faire, was the maldistribution of income which was believed to have occurred in the 1920s and had been a significant contributory factor to the causes of the economic depression. As expounded by its principal popularisers, William Trufant Foster and Waddill Catchings, the underconsumptionist analysis of the depression argued that one of the major causes of the depression had been the businessman's propensity throughout the 1920s

112. Sidney Hillman, 'Unemployment Reserves', Atlantic Monthly 148 (November, 1931): 661-669. Metropolitan Life Insurance Co., Unemployment Insurance: A Summary of Some Existing Governmental and Private Plans (New York, 1931): 62-81.

113. David Cushman Coyle, 'New Aspects of the Distribution Problem', The Annals 165 (January, 1933): 109-115.

114. Slichter, 'Lines of Action, Adaptation and Control', op.cit., 48.

115. Ibid., 53-54.

to transmute his lower costs into super-normal profits, instead of into lower prices and higher money wages. The result of this was the concentration of purchasing power in the hands of few people. Instead of this purchasing power being realised in increased real income to general consumers, it was recklessly re-invested in ventures such as pyramiding holding companies, unnecessary capacity in industry and investments abroad. The consequences were a hyper-active stock market, excess capacity in industry and a decline of effective purchasing power.<sup>116</sup>

This underconsumptionist analysis appealed to collectivists, labour and some businessmen. Each could claim that to secure revival and to lay the foundations for long-term industrial stability, industry had to recognise the mutuality of interests with those of labour and consumers. The crux of the idea was that current income in the hands of the masses was insufficient to carry from the market the potential output of industry, and that economic stability could be achieved through a larger distribution of income to the working population.

Throughout the Hoover period organised labour remained convinced that underconsumption was a principal cause of the depression and a major reason for its continuance. Responding to the argument that over-production had caused the depression, The American Federationist stressed that industry's difficulties stemmed from inadequate markets caused by income shortage, rather than from any product surplus. The kernel of the problem was that the incomes of 80% of consumers who were wage earners had failed to keep pace with increases in industrial productivity.<sup>117</sup>

116. W.T. Foster and Waddill Catchings, 'In the Day of Adversity', Atlantic Monthly 148 (July, 1931): 101-106.

117. American Federationist 37 (July, 1930): 789; 38 (January, 1931): 18; 39 (August, 1932): 803.

John Frey credited an "economically unsound" distribution of wealth with responsibility for the depression and appreciated the need for a "material advance in the real wage" to prevent protracted dislocation.<sup>118</sup> Frey expressed concern that American businessmen would adopt a "European wages" approach to business conditions, and asserted that: "Businessmen are little different from other human beings when it comes to following the bell weather. A movement to reduce wages could easily become a contagion."<sup>119</sup> By 1931, Matthew Woll, vice-president of the A.F. of L., believed that Frey's fears had been realised. Industrialists and businessmen had resorted to wage reductions as a reflex response to economic depression, a policy which was not only morally unscrupulous but unsound in terms of inspiring revival. Too many employers "still believe that Adam Smith is alive and that his philosophy has virtues," Woll contended.<sup>120</sup> William Green was less restrained in 1932. Industry's actions had been "stupid", "indefensible" and "short-sighted" in initiating a policy which "has not only borne heavily upon labor, but ... has destroyed its own market."<sup>121</sup>

Collectivists subscribed also to the underconsumptionist thesis of the causes of the depression. George Soule contended that during the period 1923 - 1928, industrial productivity had increased at a rate four times greater than real wages. Increased profits and dividends had contributed to overinvestment and speculative activity on Wall Street which had led to the economic depression inaugurated in 1929.<sup>122</sup> According to Stuart Chase the essence of the problem lay in the absence of

118. John P. Frey to W.A. Appleton, 10 January, 1930; 30 December, 1930. Frey MSS: Box 1, File 5.

119. John P. Frey to Theodore M. Knappen, 11 August, 1930. Ibid., Box 12, File 164.

120. Matthew Woll, 'The Economic Policy Proposed by American Labor', The Annals 154 (March, 1931): 85.

121. Proceedings, 52nd Annual Convention, A.F. of L., 1932, op.cit. 6.

122. George Soule, 'The Maintenance of Wages', Papers & Proceedings of the Academy of Political Science 14 (No.4, 1931): 548-550.

institutions to maintain the economy "in balance".<sup>123</sup> Collectivists understood the necessity for controls over wages and prices, but doubted that industrialists and businessmen could be relied upon to voluntarily effect such control given their disappointing performance in the 1920s. "We have too easily assumed," Rexford Tugwell suggested, "that the power to make profits implies wisdom in the disposal of them."<sup>124</sup> George Soule demanded a "deliberate" control of wages and prices by which he precluded announcements of "good intentions in respect to high wages by our Henry Fords." Even if sincere, individual actions would be ineffective, would result in disparities throughout industry and were not likely to assist employees in ailing sectors such as coal where falling prices inhibited employers from increasing wages. Soule despaired of "attempting to effectuate any intelligent wage policy in a competitive, unplanned, and lopsided economic order". The complexities involved were too great for a successful policy to be achieved.<sup>125</sup> Stuart Chase had some confidence that an inflationary programme could stimulate revival, central to which would be a "bold program" of public works. To this end, in 1932 Chase demanded that the government initiate a \$5 billion programme. However, he believed that pump-priming was not the ultimate solution for industrial instability. Only "a trenchant program of economic planning" could provide a basis for permanent stability.<sup>126</sup>

The underconsumption theory met no little resistance from exponents of classical economics. "More puerile nonsense than this would be hard to imagine," Myron Watkins reneged, and he felt obliged to apologise

123. Stuart Chase, The Promise of Power (New York, 1933): 25.

124. Tugwell, 'The Principle of Planning', op.cit., 200.

125. George Soule, 'After Revival, What?', Harper's 166 (December, 1932): 99.

126. Stuart Chase, 'The Case for Inflation', Ibid., 165 (July, 1932): 207-208.

to the readers of The Quarterly Journal of Economics for taking up valuable space with a refutation. That there could be an inherent tendency towards disequilibrium in capitalism was "simply absurd". The joint product of industry in any period, he argued, was the same as the aggregate income of the community during that period. Income which was saved was by no means dormant for savings allowed further investment which constituted in itself a demand for a corresponding part of current production.<sup>127</sup>

Tugwell could demur that the principal function of savings in the American economy had been in fueling speculation and causing excess capacity in industry.<sup>128</sup> Stuart Chase argued that promoters were ignorant of the utility of savings: "A new device, an improvement of an old device, a happy advertising slogan, a new technical method of manufacturing, a rumour of great profits being made by those already in the field, a patent, a selling contract secured in advance" - all offered "the chance for rushing in where angels fear to tread." Savings had been used wastefully by industry with unfavourable effects on the environment, on the economy, and with scant regard for the purchasing power of the consumers of industry's products. The process had been "all very human", Chase remarked, "and profoundly in accord with the American tradition".<sup>129</sup>

Understandably, businessmen were less likely to subscribe to the underconsumptionist thesis. However, as Barron's noted in 1930, industrial leaders of "the more progressive type" were disavowing the traditional liquidationist response to economic depressions. The voluntary agreement of leading industrial executives to uphold wages

127. Watkins, 'The Literature of the Crisis', op.cit., 523.

128. Tugwell, 'The Theory of Occupational Obsolescence', op.cit., 197-200.

129. Stuart Chase, 'The Enemy of Prosperity; Overproduction: What shall we do about it?', Harper's 161 (November, 1930): 643.



made during the White House conference of November 1929, testified to the more 'progressive' view which was making itself felt within the business community.<sup>130</sup> This new attitude was reflected in an editorial in the columns of Railway Age of December 1932:

That the problem of rapidly increasing production has been so largely solved is a promise, not a menace. The menace is in the fact that so little progress has been or is being made in solving the great problem of so balancing the purchasing power of all classes of producers as to enable each of them to buy continuously the products of the others.<sup>131</sup>

The argument that business should no longer extract the most favourable advantage that the supply of and demand for labour offered in the form of low wages, and that it should refrain from eking short-term advantages out of the consumer, constituted a further thrust against the doctrine of laissez-faire during the Hoover period. Both President Hoover and his successor subscribed to this position. Hoover's exhortations to businessmen to uphold wages and maintain employment, despite adverse business conditions, and Roosevelt's sponsorship of a minimum wage law during his two terms as State Governor were ideologically disparate responses to the problem of maintaining purchasing power, but shared a common rejection of the liquidationist approach to economic depression. The distinction, however, was symptomatic of the broader schism that developed between the critics of laissez-faire when attention was transferred from castigating an outmoded doctrine to prescribing its successor.

The critique of laissez-faire proceeded from both theoretical and practical premises. Its components were not individually exclusive, but rather served as a loose patchwork which provided a frame of reference for those committed to economic and social planning. Adherents were to be found in the collectivist intelligentsia, organised labour, the

130. Barron's 10 (12 May, 1930): 14.

131. Railway Age 93 (24 December, 1932): 937.

business community and politics. Of course, all these groups did not subscribe equally to each tenet of the general critique and there was broad disagreement as to how perceived deficiencies should be remedied through planning. Nevertheless, their combined efforts provided a cogent diagnosis of contemporary economic problems, and while agreement as to the nature of the problems did not presuppose any common identification with particular solutions, they did indicate the general direction in which management and control needed to be introduced into American economic life.

Collectivists sanctioned each element of the critique, the destructiveness of excessive competition, the serious plight of the chronically depressed industries, the problems posed by technological progress for employment, and the inequitable distribution of income which had been a major factor in precipitating the depression. These economic flaws served to constrain the social potential of technology and had resulted in economic progress being uneven, particularly jeopardising the welfare of the working population during downswings of the business cycle. Collectivists perceived the necessity for even and controlled development through economic management in order to ensure that technological change should serve the national interest most effectively. While collectivists welcomed the consolidation of industry as a stabilising force in business, they were sceptical that businessmen themselves had the necessary incentives to exercise satisfactory control. Berle and Means' revelations as to the separation of ownership and control in industry justified increasing intervention by government in economic life. Since the principal ethic of laissez-faire no longer corresponded to reality, there seemed no moral objections to government expropriation of the managerial function. An economy whose major sectors were composed of large units, whose operations were directed by government through

compulsion or cooperative partnership, promised an economy of abundance whose benefits would be widely distributed.

Labour was vitally interested in most elements of the critique. Excessive competition and the problems of 'sick' industries served to reduce workers' wage rates as costs were cut by firms to maintain their competitive positions. Technological unemployment posed a direct threat to the working man and the prospect of its acceleration, once revival got underway, was a source of anxiety for organised labour. Naturally, the labour movement accepted the underconsumptionist thesis of the cause of the depression and the argument that recovery could be achieved by increasing the purchasing power of wage earners. As organised labour's commitment to 'voluntarism' weakened during the depression, the A.F. of L. looked increasingly to government as the champion of the interests of the wage-earner and as an agency which would induce stability into the operations of industry.

The business critique of laissez-faire - aside from the very actions of merging companies which were abetting the trend away from it - was more selective. Generally, spokesmen concentrated upon the problems of excessive competition and those of the 'sick' industries which needed to be controlled in order to balance production and consumption. The successful securing of this balance would automatically solve other problems. Unlike the collectivists and organised labour, businessmen rejected resort to government as a controlling agency, claiming that business itself had the resources - through trade associations - to instigate planning and induce stability into the operations of industry.

Nevertheless, the role of government was crucial for the implementation of economic planning, since legislative change was regarded by many to be a prerequisite of industrial stabilisation. 'Planners' were

optimistic at the outset of Herbert Hoover's presidency that they would have his support in realising their goals. However, while Hoover appreciated the consequences of an economy governed by the principles of individualism and competition, he remained unconvinced that traditional ideals had lost either their vitality or utility. While Hoover recognised the need for planning in the economic process, he was adamant that it should be conducted within the parameters of traditional American ideals. Although he accepted the shortcomings of laissez-faire in practice, he retained a strong admiration for its ethical values. This respect decisively influenced his approach to planning and placed him in opposition to the ideas of collectivist intellectuals, organised labour and the business community. Only with the accession of the more pragmatic Roosevelt in 1933 did government become prepared to disown the ethical idealism of laissez-faire. By then, three distinct approaches to industrial planning had emerged and the New Deal's options were determined, in large part, by the experience of each during the Hoover years.

## CHAPTER 2

### THE HOOVER APPROACH TO PLANNING: VOLUNTARY ASSOCIATIONISM

Herbert Hoover's planning vision was distinctive. While other 'planners' accepted or welcomed a transformation of national ideals to conform to the imperatives of technological progress and the need for economic management, Hoover developed a synthesis between national credos and the direction of economic growth. The values which Hoover sought to conserve were localism, individualism, voluntary cooperation and economic competition. He perceived that these were at risk in a modern, complex and technologically advanced economy which generated pressures to allocate and distribute resources through central direction. Threats to traditional values were identified in the engrossment of private and public power or a combination of the two. Hoover understood that the need for economic stability, the control of natural resources and markets had promoted oligopoly in private industry. This trend had been accompanied by an increase in the functions of government to protect the public interest against these developing accretions of private power. Separately or in combination these tendencies jeopardised traditional values with centralisation, bureaucracy, cartelism and statism.

Herbert Hoover did, however, recognise the economic circumstances that had brought forth these trends and which invited further centralisation of economic decision-making. Yet he remained convinced that economic stabilisation was possible through management and planning without private or public centralisation or the disruption of national ideals. Hoover's alternative was voluntary associationism. Through voluntary associationism a reconciliation was possible between traditional ideals and the management of a complex economic structure.

The associations in which Hoover set so much store were trade associations, businessmen's organisations, agricultural cooperatives

and labour unions. Enlightened self-interest would encourage the individual to participate in organisational activities. Organisations would assume responsibility for the well-being of particular sectors and would cooperate with each other to ensure stable progress for the economy as a whole. Through planning they would eliminate waste, standardise commodities, conserve natural resources and promote scientific management and in turn, increase efficiency, reduce costs and increase the consuming public's purchasing power.<sup>1</sup>

Utilisation of expertise and access to information were essential to facilitate associational planning. As both Secretary of Commerce and President, in both 'New Era' and 'Great Depression', Hoover retained a technocrat's conviction that impartial expertise in government could supply the advice and information that functional economic organisations could apply to their particular sectors and translate for their memberships. His reorganisation and expansion of the functions of the Department of Commerce during the 1920s, the appointment of numerous investigative economic commissions and organisation of 250 conferences were means of collecting appropriate information, and through aggressive publicity, of disseminating it nationwide, particularly to associations. Hoover's confidence that mastery of the economic system depended upon securing greater knowledge rather than experimenting with economic theory remained constant during his presidency. This was epitomised by his appointment of the Committee on Recent Social Trends. After the stock market crash

1. This characterisation of the ideology of Herbert Hoover draws on the following sources: Ellis W. Hawley essay in J. Joseph Huthmacher and Warren I. Susman (eds.), Herbert Hoover and the Crisis of American Capitalism (Cambridge, Mass., 1973): 3-33. Ellis W. Hawley, 'Herbert Hoover and American Corporatism, 1929-1933', in Martin L. Fausold and George T. Mazuzan (eds.), The Hoover Presidency: A Reappraisal (Albany, 1974): 101-119. Joan Hoff Wilson, Herbert Hoover: Forgotten Progressive (Boston, 1975).

Hoover remained convinced that self-interest would prompt businessmen to act upon government information as to economic conditions and accept its advice on ameliorative and recovery procedures.<sup>2</sup>

Mutuality was also essential for efficacious planning. Government should not only supply the informational inputs that associations themselves could not provide but also encourage a sense of mutual interest between the various associations. As Secretary of Commerce and as President, Hoover sought to convince both employers and labour of the importance of a mutuality of interests in technological progress. For one it involved acceptance of the trade union and collective bargaining, for the other technological change and the principle that a rising standard of living must be linked to productivity gains.<sup>3</sup> As Hoover stressed before the American Federation of Labor's annual convention in 1930 at Boston: "It is a practice of cooperation for an advantage that is not only mutual but universal." Labour gained from increased technical efficiency through higher wages and shorter hours, employers benefited from a wider market, and the consumer through reduced prices. "Indeed, mass production must be accompanied by mass consumption through increased standards of living."<sup>4</sup>

Emphasis upon economic stability and growth by means of strong independent groups with the assistance of government does not mean that

2. David Burner and Thomas R. West, 'A Technocrat's Morality: Conservatism and Hoover the Engineer', in Elkins and McKittrick (eds.), *The Hofstadter Aegis*, op.cit., 235-236. Barry D. Karl, 'Presidential Planning and Social Science Research: Mr Hoover's Experts', Perspectives in American History 3 (1969): 347-409. Craig Lloyd, Aggressive Introvert: A Study of Herbert Hoover and Public Relations Management, 1912-1932 (Columbus, 1972).
3. Robert H. Zieger, The Republicans and Labor, 1919-1929 (Lexington, 1969).
4. Address at American Federation of Labor Convention, Boston, 6 October, 1930. State Papers, op.cit., 1: 392.

Herbert Hoover was a corporatist.<sup>5</sup> Hoover distinguished between government encouragement and government initiative. For Hoover the latter implied the bureaucratisation of American life, the stultifying of individual initiative and the deprivation of the central dynamic from the national economy. Defending his presidential policies in a radio address of 1932, Hoover stressed his care to avoid foisting great bureaucracies upon the American people "which only deaden and do not heal".<sup>6</sup> Equally, he was not prepared to allow self-government in industry to degenerate into cartelisation, with the protection of privileged firms and associations which sought to control prices, production, resources and markets. Cooperation should not be allowed to be transmuted into collusion and from there, to concentration. Cooperation and competition needed to co-exist, and, as such, voluntary associationism attempted to reconcile opposites.<sup>7</sup>

In his inaugural address of 4 March, 1929, Hoover reiterated his commitment to voluntary associationism. During the 1920s, Americans had discovered "a new found capacity for cooperation" to advance the public welfare, a process which had occurred largely outside formal government and its agencies. This development gave Hoover satisfaction not only in terms of results - "great progress in the advancement of service, in stability, in regularity of employment and in the correction of its own abuses" - but in terms of the maintenance of national ideals of cooperative

5. For characterisations of Herbert Hoover as a corporatist, see Murray N. Rothbard, 'The Hoover Myth', Studies on the Left 6 (July-August, 1966): 70-84. Idem, 'Herbert Hoover and the Myth of Laissez-Faire', in Ronald Radosh and Murray N. Rothbard (eds.) A New History of Leviathan (New York, 1972): 111-145. For a contrary opinion, see the review by William A. Williams, 'What This Country Needs...', in New York Review of Books 15 (5 November, 1970): 7-11.
6. Radio Address, 7 October, 1932. State Papers, op.cit., 2: 325.
7. Robert F. Himmelberg stresses Hoover's commitment to competition, particularly in terms of his determination to enforce the antitrust laws. See the Himmelberg essay in Huthmacher and Susman, Herbert Hoover and the Crisis op.cit., 59-85.



individualism and decentralised decision-making. Government's role had been to assist and encourage these trends rather than to compel them by imposing restraints upon the business community. The past decade had witnessed "an advance toward the highest conception of self-government". However, while Hoover condoned the trend towards business self-government he warned that the public interest would be protected only so long as business manifested respect for the law and he interpreted his election as a mandate for "the continued regulation of business to prevent domination in the community". Business self-government should not become an excuse for cartelisation and monopolisation at the expense of the community at large. While cooperation should be encouraged, it should not be achieved at the expense of the competitive process.<sup>8</sup>

The onset of economic depression after October 1929, reinforced Hoover's commitment to voluntary associationism. Throughout his presidency he reiterated his faith in voluntary cooperation, continuously apprising Americans of its basic tenets and their virtues.

Hoover envisaged that the dynamic for a successful counter-depression programme would emerge from the "great associations" representative of business, industry, labour and agriculture. These would operate down from the national to local levels, and disseminate pertinent economic information which would provide a sound basis for "wise planning" by individual firms and whole industries. The aim of such activity was to increase awareness of methods to ameliorate unemployment and promote business upturn. Hoover subscribed to the belief that enlightened self-interest would encourage individuals to act upon information and advice and thus obviate any form of coercion. Government's role would remain consistent with "the very bones of our economic system" in that intervention would be largely restricted to securing and supplying detailed

8. Inaugural, 4 March, 1929, State Papers, op.cit., 1: 6-7; 11.

information and issuing advice.<sup>9</sup> The role of government would be supportive. "I have never believed that our form of government could satisfactorily solve economic problems by direct action," Hoover asserted in 1930.<sup>10</sup> Government could be more effective by instigating associational activity. Hoover clarified this point before the American Bankers' Association:

Without intrusion the Government can sometimes give leadership and serve to bring together divergent elements and secure cooperation in development of ideas, measures and institutions. That is a reinforcement of our individualism. It does not cripple the initiative and enterprise of our people by the substitution of government.<sup>11</sup>

In his second and third annual messages to Congress Hoover stressed the futility of sole reliance upon legislative action or executive pronouncement as cures for economic depression. "Economic wounds must be healed by the action of the cells of the economic body - the producers and consumers themselves," he stated in 1930. "Recovery can be expedited and its effects mitigated by cooperative action."<sup>12</sup> In such a scheme the most appropriate role for government was to "encourage" such voluntary cooperation. Hoover outlined the alternative in his address at King's Mountain Battlefield in October 1930, when he referred to the "incarnation of tyranny" through the creation of a federal bureaucracy, and the threat to local self-help posed by federal intervention.<sup>13</sup>

He was adamant that his approach was neither cautious nor conservative. In a campaign radio address of 7 October, 1932, he characterised it as "innovatory" while remaining in accordance with American values.

9. Address at Annual Dinner of U.S. Chamber of Commerce, 1 May, 1930. Ibid., 296.

10. Address, American Bankers' Association. Ibid., 382.

11. Ibid.

12. Second Annual Message to Congress, 2 December, 1930. Ibid., 431. Third Annual Message to Congress, 8 December, 1931. Ibid., 2: 44-45.

13. Address at King's Mountain Battlefield, 7 October, 1930. Ibid., 1: 399-400.

"We must not lose faith in the ability of democracy to be master of its own house without burning it down," Hoover declared.<sup>14</sup> Hoover's fear about the economic depression was that the cure could be worse than the disease.

Hoover's immediate response to the stock market crash was to evoke the same policy which, as Secretary of Commerce, he had implemented during the recession of 1920-1921. He had then been the instigator of the Unemployment Conference of 1921 which was designed to organise "areas of cooperation" to counter the recession. Under his direction an Economic Advisory Committee composed of businessmen, labour spokesmen and economists considered the extent of unemployment, emergency recommendations and possible reforms to even out fluctuations in the business cycle. Once the Advisory Committee had completed its report, Hoover assembled a larger conference. The delegates were chosen primarily according to geographical and professional criteria in order to make an impact on the public consciousness and mobilise support for the experts' recommendations. These included the placing of principal responsibility for relief and recovery upon local governments; urging industry to employ workers through work-sharing programmes, the enlargement of inventories and maintenance and repair work, and recommendations for increased public works expenditure by all levels of government. After the conference dispersed an office was established in Washington under Colonel Arthur Woods to coordinate anti-recession programmes and publicise the meeting's recommendations.<sup>15</sup> Hoover resorted to similar expedients during his tenure as President, using the familiar devices of expertise, information and publicity to inspire voluntary cooperation.

14. Radio address, 7 October, 1932. Ibid., 2: 325.

15. Carolyn Grin, 'The Unemployment Conference of 1921: An Experiment in National Cooperative Planning', Mid-America 55 (April, 1973): 83-107.

After 24 October, 1929, Hoover was preoccupied with preventing the liquidation of share values from having adverse effects on business activity. His response was a mixture of fiscal, monetary and industrial coordination initiatives. Federal expenditure on public works was increased, taxation reduced, credit eased through Federal Reserve policies and during late November, a series of conferences were held to initiate "the coordination of business and governmental agencies in concerted action for continued business progress".<sup>16</sup> Hoover regarded his programme as an interrelated entity. The lowering of the rediscount rate and reductions in taxation would ease liquidity and stimulate a "large scale resumption of the construction industries" recently denied access to capital which had been destined for the security market. Revival would be accompanied and supplemented by expanded expenditure in the public sector. To give effect to these counter-cyclical measures the "most important step in business stabilization," Hoover informed Julius Barnes, was the establishment of an organisation "to secure coordinated and progressive action" between the private and public sectors. The President invited the Chairman of the Board of the U.S. Chamber of Commerce to suggest names of prominent leaders in the business community to liaise with the government in creating such an organisation.<sup>17</sup>

Between 19 and 27 November, numerous conferences assembled at the White House, constituting, according to The New York Times "the largest gathering of noted heads of industry and other corporations in Washington since the resources of the nation were marshalled for participation in the World War".<sup>18</sup> Separate conferences were hosted for representatives

16. State Papers, op.cit., 1: 133-134.

17. Herbert Hoover to Julius Barnes, 15 November, 1929. President's Personal File (hereafter cited as P.P.F.), Box 10, File, Business, H.H.L.

18. New York Times, 21 November, 1929.

of the railroads, Federal Reserve system, industry, business and finance, labour, construction, agriculture and the public utilities. The outcome of the industry conferences was that the conferees pledged to employ their resources to pre-empt a business recession by maintaining wage-rates, stabilising employment and increasing construction activity.<sup>19</sup>

The purpose of Hoover's initiative was to act immediately to prevent the slide in stock values from affecting the "fundamental" business sectors. It was accomplished according to Hoover's diagnosis of the depression, within the limits of his ideology and using techniques long familiar to the President. The summoning of the conferences reflected Hoover's view, expressed on 25 October, that despite stock market turbulence "the fundamental business of the country ... is on a sound and prosperous basis" and that by pre-emptive action, the effects of the Crash could be cushioned for the economy as a whole.<sup>20</sup> Hoover's ideology demanded that this be achieved through voluntary cooperation with the dynamic emerging from the private sector, but with support from government. The principle of mutuality was evident in the representative nature of the conferences and the reciprocal concessions that Hoover secured from the various groups. In return for the employers' pledges to uphold wage rates, William Green for the A.F. of L., advised labour not "to aggravate the situation" by demanding wage increases until the repercussions of the events of October had dissipated.<sup>21</sup> The conferences also conformed to Hoover's assessment of the value of expert advice and aggressive publicity as educational devices.

19. Commercial & Financial Chronicle 129 (23, 30 November, 1929): 3261-3265; 3415-3419.

20. State Papers, op.cit., 1: 133.

21. Commercial & Financial Chronicle 129 (30 November, 1929): 3417.

On 3 December, 1930, Hoover explained his actions in his first annual message to Congress. Previous experience suggested that precipitous declines in stock market values provoked pessimism amongst businessmen, investors and consumers alike, with the result that new investment was delayed, wages were cut and redundancies spread, thereby intensifying economic depression. To avoid this the government had instituted "systematic, voluntary measures of cooperation" with business institutions and with State and municipal governments to prevent such a backlash. Hoover was confident of the prospects for his programme's success. "Due to the enlarged sense of cooperation and responsibility which has grown in the business world during the past few years the response has been remarkable and satisfactory."<sup>22</sup>

The White House conferences were not intended by Hoover to serve merely as publicity vehicles, although they were fully utilised by the administration in that respect. Neither were they isolated, unsupported gestures. In his letter of 15 November to Julius Barnes, Hoover mentioned the need for organisation, and at the business conference of 21 November, invited Barnes to establish an executive committee from the assembled group of leaders and from national trade associations. The committee would endeavour to mobilise industry in support of the President's programme and the White House conference recommendations. The small executive committee selected by Barnes included the type of expertise and prestige in the business community which would command maximum publicity and national respect. Chaired by Barnes, the committee included Walter S.

22. State Papers, op.cit., 1: 145-146. Given the alacrity with which Hoover acted, the lack of precedents for action, and the fact that the conferences were intended as more than propaganda material, characterisations of them as ritualistic "scout meetings" or "no-business" meetings are distorted by retrospective insight. See Jonathan N. Leonard, Three Years Down (Rahway, 1939): 91-105. J.K. Galbraith, The Great Crash, 1929 (London, 1966): 157-160.

Gifford (American Telephone and Telegraph), Thomas W. Lamont (J.P. Morgan and Co.), Silas Strawn (Montgomery Ward), Myron C. Taylor (U.S. Steel), Walter C. Teagle (Standard Oil) and Owen D. Young (General Electric). The composition of the committee serves to exemplify the Hoover formula to activate voluntary cooperation.

The Barnes committee formed the nucleus of the National Business Survey Conference which was formally inaugurated at a meeting of 400 business and trade association executives at the Chamber of Commerce headquarters on 5 December, 1929. The assembly was addressed by Hoover, Secretary of Commerce Robert P. Lamont, Assistant Secretary Julius Klein and received 150 reports from trade associations endorsing the organisation. In his keynote address, Hoover stressed his determination to stabilise business conditions through a three-point programme which consisted of the extension of credit, the mutual pledges of management and labour to maintain existing wage rates and avoid disruptive bargaining activity, and the "voluntary organization of industry" to provide a "great balance wheel of stability". Organisation was the key to preventing economic conditions from deteriorating, and Hoover advised delegates of the advantages of a central committee which would popularise the need for the extension and organisation of work at the levels of firm, association and industry. The initiative in this scheme would be directly in the hands of the businessmen themselves. "It is a request from the Government that you cooperate in prudent measures to solve a national problem," Hoover stated. "A great responsibility and a great opportunity rest upon business and economic organization of the country."<sup>23</sup>

As with other Hoover conferences, the 5 December meeting dramatised and publicised proposals favoured by Herbert Hoover himself. The principal

23. State Papers, op.cit., 1: 181-183.

suggestions developed at the Chamber conference stemmed immediately from the more exclusive White House conference of 21 November and to the earlier Unemployment Conference of 1921. In effect the National Business Survey Conference was launched with its conferees rubber-stamping Hoover's anti-depression programmes. Delegates agreed that "prudent" public and private construction was desirable under the stimulus of trade associations and chambers of commerce in cooperation with the Department of Commerce. The Business Conference would also encourage the acceleration of repairs, replacements and improvements in industry and in the home and would publicise the virtues of normal purchasing and the placing of advance orders, thus promoting cooperation between wholesale and retail trade associations and sales forces.

In the aftermath of the conference, on 20 December, Barnes appointed a larger conference committee of some 170 representatives of trade associations. The role of the committee was to furnish reports to the private sector of developing trends in industry and encourage cooperation to implement the various stabilisation measures suggested at the 5 December conference.<sup>24</sup> In a letter to Barnes of 7 December, Hoover expressed his concern that the work should commence promptly. The "general situation" continued to deteriorate with three million unemployed and Hoover urged Barnes to circularise the Conference's membership, stressing the need for a "concerted effort" behind the agreed programme over the winter months.<sup>25</sup>

The National Business Survey Conference was an avowedly temporary agency to promote the stabilisation of business and employment through voluntary cooperation. Functioning principally through national trade

24. Calendar: Meeting of Executive Committee, National Business Survey Conference, 23 January, 1930, Washington, D.C. Pres., Box 96 File, Chamber of Commerce - National Business Survey Conference, H.H.L.

25. Herbert Hoover to Julius Barnes, 7 December, 1929. Ibid., Box 337 File, Unemployment - P.E.C.E.



associations, the Conference had no powers to compel adherence to its programme but rather sought to persuade employers of the advisability of collective self-help in planning their operations to assist economic stabilisation. The Conference issued pamphlets, circulars, leaflets and Conference Bulletins on business conditions and stabilisation recommendations and had use of the Chamber of Commerce's Week's Work as a vehicle for Conference publicity. Furthermore, Barnes periodically compiled a pamphlet entitled The Business Situation, published by the Chamber, which went through seven issues between March and December 1930. The pamphlet was based on the Hooverian assumption that access to information would inspire business confidence. Conference publications had a circularisation of between 6,500 and 50,000 and particular efforts were made to reach small manufacturers through specific communications recommending adoption of stabilisation proposals.<sup>26</sup>

The initiative taken by Hoover in calling the White House conferences and in establishing the Survey Conference was greeted with approval by business, liberal and labour spokesmen. In April 1930, the Chamber of Commerce adopted a resolution commending the "vision and leadership" of the President "in his timely initiation of this movement", and Julius Barnes could claim "practical results" for the programme of the Survey Conference, and urge "continued effort".<sup>27</sup> The Chamber's organ, Nation's Business, detected a new spirit of cooperation between business and government and reflected that the Survey Conference had given American business "a sense of national unity which it had never had before".<sup>28</sup> Forbes regarded Hoover's action as "the boldest economic experiment ever undertaken on so grand a

26. Julius Barnes to Herbert Hoover, 29 January, 1930. Ibid., Box 95 File, Chamber of Commerce. Calendar, op.cit. The seven issues of The Business Situation may be found in Pres. Box 96 File, Chamber of Commerce - National Business Survey, H.H.L. Julius H. Barnes, 'The President's Conference Means Business', Forbes 25 (15 January 1930): 21.

27. Julius Barnes to Herbert Hoover, 30 April, 1930. Pres. Box 92 File, President's Business Conference, H.H.L.

28. Nation's Business 18 (January, February, 1930): 9; 11.

scale in peace time" and suggested wishfully that the President had unleashed "forces of revolutionary power" in an organisation which would evolve into an enduring Economic Council and serve as a coordinating agency between business and government in economic management.<sup>29</sup>

The Magazine of Wall Street perceived similar presidential intentions. Columnist, Theodore M. Knappen, interpreted Hoover's summoning of the White House conferences as the emergence of a new activist attitude towards business reverses which would become institutionalised on a permanent basis in the formation of the Survey Conference. Equally praiseworthy was the President's entrusting the business community with the command of so momentous an organisation and his preference for government cooperation over governmental coercion. The organisation was "the negation of bureaucracy, a splendid adventure in economic democracy".<sup>30</sup>

The liberal journal press was also hopeful that Hoover had made the first tentative steps towards creating a permanent economic planning organisation. The Nation welcomed his prompt initiative of November and suggested that it would be an injustice to the President to regard his action "as a mere gesture from a badly scared politician to bolster a shaky stock market". The direction in which Hoover seemed to be moving was towards the creation of a "Supreme Council of National Economy".<sup>31</sup>

The New Republic characterised the calling of the November conferences as "a courageous act" untypical of his Republican predecessors and "a positive assertion of leadership in a time of crisis". The establishment of the Survey Conference augured the creation of an "Economic General Staff" which would collate and correlate economic statistics and trends

29. Merryle S. Rukeyser, 'What Hoover's Action will Mean to Business', Forbes 24 (15 December, 1929): 18-29; 40-42.

30. Theodore M. Knappen, 'Business Rallies to the Standard of Permanent Prosperity', Magazine of Wall Street, 14 December, 1929: 263-265; 308-310.

31. The Nation 129 (27 November, 1929): 611.

and recommend measures to ensure stability and equilibrium in the economy through forward planning. The journal believed that such an "ordered economic world" must come and hoped that Herbert Hoover would be its founding father.<sup>32</sup>

William Green's agreement with Hoover's demands of labour at the White House conferences drew sharp criticism from the more radical spokesmen in the labour movement such as A.J. Muste of the Conference for Progressive Labor Action. Muste described the labour president's action as "a hideous betrayal of trust" in abandoning independent policy and following the lead of big business.<sup>33</sup> Yet as late as October 1930, the Executive Council of the A.F. of L. could express satisfaction at President Hoover's "constructive achievement" in persuading employers to repudiate wage reductions and in stimulating "a growing sense of responsibility on the part of management for the workers on their pay rolls".<sup>34</sup> John P. Frey, Secretary Treasurer of the Metal Trades Department of the A.F. of L., welcomed Hoover's "firm and immediate interest in the situation" in December 1929, and was gratified that the conferences had had much to do with preventing wholesale reductions in wages. Although Frey was later to become disenchanted with Hoover's programme, he could still write in 1931 that, in retrospect, the President's early initiatives represented "the one outstanding, constructive act" of his tenure since the stock market slide.<sup>35</sup>

From the outset both liberals and labour retained a degree of scepticism about the prospects for Hoover's programme and their criticisms increased

32. The New Republic 61 (27 November, 11 December, 1929): 6; 555.

33. Commercial and Financial Chronicle 129 (30 November, 1929): 3417.

34. Proceedings, 50th Annual Convention, A.F. of L., 1930, op.cit., 59.

35. John P. Frey to W.A. Appleton, 2 December, 1929. Frey MSS: Box 1 File 5. John P. Frey to Fritz Kummer, 3 February, 1930, 29 October, 1931. Ibid., Box 11 File 160.

during 1930 as their fears appeared to be confirmed.<sup>36</sup> Yet during the first few months of the 'Hoover experiment' they could entertain optimism about the President's attempt to mitigate the business cycle and both the short and long-term implications of his strategy. The popular magazine Collier's summed up the prevailing enthusiasm for Hoover's intervention, in its editorial columns:

Hoover has not abolished the business cycle of prosperity and depression. The cycle exists but the mountains are not so high and the valleys are not so deep.... This is a natural procedure. It is in line with our scientific development, which is man's effort to understand and to control natural forces .... Never before in any country has a more intelligent effort been made to stabilize business and to assure prosperity. On the foundation of work actually done we can look hopefully to the future.<sup>37</sup>

Throughout 1930 Hoover continued to emphasise the utility of his approach until other programmes began to supplement and supercede the White House agreements and the National Business Survey Conference. Addressing the Chamber of Commerce in May, he characterised his policies as innovatory and evaluated the "joint undertaking" as having succeeded to a "remarkable degree". "On the occasion of this great storm," Hoover asserted, "we have for the first time attempted a great economic experiment, possibly one of the greatest of our history." Before the A.F. of L. Convention in October, he stressed the "astonishing degree" of cooperation between business, labour and government and the "growing sense of responsibility and ... willingness to bend private interests to the general good". So rewarding had the programme proved in ameliorating unemployment that Hoover suggested to the American Bankers Convention of October 1930, that an "amplified plan" should be considered in the future.<sup>38</sup> Other members of his administration also continued to boost the Hoover programme. Writing in July 1930, Secretary of Commerce Lamont defended the White House Conference agreements as generally successful in maintaining wage

36. The progressive disenchantment of labour and collectivists with Hoover's programme is examined in Chapter 4.

37. Collier's 85 (25 January, 1930): 66.

38. State Papers, op.cit., 1: 289; 379; 391-392.

levels and continuing construction programmes.<sup>39</sup> In September, Secretary of Labor James J. Davis wrote approvingly of Hoover's "mighty effort at stability" which had prevented more severe dislocation. "In due time this application of wisdom and effort must bring a return to normal conditions," Davis prophesied.<sup>40</sup>

When the National Business Survey Conference terminated its work on 6 May, 1931, Herbert Hoover's first experiment with voluntary associationism during the depression ended.<sup>41</sup> The absence of any sustained recovery and the establishment of a government agency whose functions overlapped made the work of the Survey Conference largely superfluous. The organisation represented Hoover's conviction that through the dissemination of facts and advice from some central, expert agency, channelled through representative functional associations, business could exercise self-regulation and stabilise economic conditions. Rather than retrench, businesses would plan their operations to contribute to economic recovery. However, the absence of markets provoked a cautious outlook within the business community which was not conducive to any generation of recovery through Hoover's strategy. In July 1931, Barron's complained of a "buyer's strike" which bedevilled wage maintenance and new construction proposals and in October, U.S. Steel cut wage rates by 10% to be followed by other major concerns.<sup>42</sup>

Still Hoover did not desert voluntary associationism. Rather the doctrine was transmogrified in that government assumed the role of coordinator for the associational activities which had been initially placed in the hands of businessmen themselves.

39. Robert P. Lamont, 'The White House Conferences', The Journal of Business, 3 July, 1930: 269-271.

40. Commercial & Financial Chronicle 131 (6 September, 1930): 1481.

41. Julius H. Barnes to Robert P. Lamont, 8 May, 1931. Record Group 40, General Records of the Department of Commerce, (Hereafter cited as R.G.40). File 92001/2 National Archives.

42. Barron's 11 (20 July, 1931): 14. For a succinct summary of the record of industry in maintaining wage rates and promoting construction, see Albert U. Romasco, The Poverty of Abundance: Hoover, the Nation, the Depression (New York, 1968): 51-65.

On 17 October, 1930, the President established an Emergency Committee for Employment (P.E.C.E.). Hoover regarded its formation as an extension of the arrangements made at the White House conferences of 1929. Federal authority would be used to meet the unemployment problem during the coming winter, with particular emphasis on encouraging cooperation with State and local employment agencies, creating employment through public works and developing stabilisation methods with industry. P.E.C.E. would "stimulate more intensive cooperation throughout the country" and serve to enhance the sense of voluntary organisation and community service in the nation-at-large.<sup>43</sup> Colonel Arthur Woods, a member of the Conference of Unemployment in 1921 was appointed chairman of the organisation.

P.E.C.E. was guided by Hooverian principles: that government's role should be restricted to supplementing the principal self-help efforts at local and State level and that the dissemination of information and advice through aggressive publicity would provide the basis for successful stabilisation initiatives. P.E.C.E. had no mandatory powers and did not generally sponsor or initiate stabilisation schemes.<sup>44</sup> The organisation acted as a clearing house for schemes in operation in the private sector, and its aim was to publicise these as widely as possible to inspire voluntary cooperation.

Although the Committee was an emergency agency, according to Chairman Woods, its work had long-term implications. For while the immediate priority was the amelioration of unemployment during the present crisis, the effort would inspire a long-term commitment to "keeping the ratio of

43. Press Statements, 17 October, 1930; 24 October, 1930; Second Annual Message to Congress, 2 December, 1930. State Papers, op.cit., 1: 401-402; 405; 431.

44. It did not have the finances or the research staff to perform such a function. Committee Member, E.P. Hayes estimated that throughout its duration (October 1930-August 1931) the organisation was provided with only \$257,000 by the Department of Commerce with which to meet general expenses, salaries and printing. At the outset the Committee had an executive staff of thirty. E.P. Hayes, Activities of the President's Emergency Committee for Employment, 1930-1931 (Concord, N.H., 1936): 3-5.

unemployed in permanent check".<sup>45</sup> This dual purpose of P.E.C.E. was outlined in an undated memorandum, circulated within the organisation. The objectives of the agency were to be twofold. First, it would "promote an effective nation-wide effort to deal with the present unemployment" and second, would assist in the development of plans and policies "that will make for stabilization of employment and greater effectiveness in dealing with unemployment in the future". These aims would be achieved by encouraging action in the private and public sectors, fostering cooperation in local, State and national programmes and achieving coordination between various stabilisation activities.<sup>46</sup> Depressions should no longer be regarded as "'Acts of God'", Colonel Woods asserted, but rather as "an intolerable curse on our social and economic system".<sup>47</sup> It was P.E.C.E.'s view that such recurrent slumps could certainly be mitigated and perhaps, be prevented through the cooperative efforts of both private and public sectors in their individual spheres, encouraged and coordinated by a central organisation. In this respect P.E.C.E. found itself in "the center of innumerable industrial laboratories, all working, each in its way, to diagnose and treat this.... industrial disease".<sup>48</sup>

Although P.E.C.E. regarded as one of its functions the formulation of policies for private and public agencies, the organisation devised few novel programmes. It either borrowed from the suggestions of the Unemployment Conference of 1921 or relied upon the inventiveness of the private sector. Essentially the role of the agency became that of broadcaster

45. Arthur Woods, 'Industry Must Find Permanent Cure for Unemployment', Forbes 27 (1 February, 1931): 15.

46. 'The President's Emergency Committee for Employment: Organization, Personnel and Policies', undated memorandum. Record Group 73, Records of the President's Organization on Unemployment Relief (hereafter cited as R.G. 73), Series 3, Central Files of P.E.C.E.: General Organization. National Archives.

47. New York Times, 27 January, 1931.

48. Quoted in Hayes, P.E.C.E. op.cit., 11.

and publicist of ideas generated elsewhere. These ideas were collated and disseminated by eight divisions within the organisation and by seven advisers who assumed responsibility for particular geographical regions and encouraged the organisation of action committees at local level.<sup>49</sup>

Publicity was central to the P.E.C.E. effort, and one division was concerned exclusively with this aspect. Like the National Business Survey Conference, P.E.C.E. issued pamphlets and leaflets under its own auspices or through the Department of Commerce which publicised the broad range of relief and stabilisation devices available to industries and communities and stressed the part that the individual homeowner could play in relieving distress. Through provision of information the Committee encouraged a diverse range of activities, from the acceleration of private and public construction and the maximisation of efficiency in local relief disbursement to the provision of home gardens for the unemployed and the creation of employment opportunities through spruce-up and renovation work for home owners.

A major drive was directed towards encouraging industry to effect stabilisation proposals. In November and December, 1930, the Committee circularised industrialists for information on methods in use to counter depressed economic conditions. The replies formed the basis of P.E.C.E.'s publicity campaign to persuade other firms to follow suit.<sup>50</sup>

Information was elicited from a "well-diversified" list of large and small corporations, established in over five hundred localities and employing in 1929 over 750,000 men. The responses indicated that "spreading"

49. For a survey of the P.E.C.E. organisation, see Ibid., 1-18.

50. For analyses of the various private programmes, see J. Douglas Brown, 'The Manufacturers and the Unemployed', Current History 34 (July, 1931): 517-520. Roger S. Makepeace, 'Stabilizing Factory Employment', Harvard Business Review 10 (January, 1932): 241-256.



the available work was the most widely utilised method of ameliorating unemployment; 82% of companies indicating a commitment to this policy. Various methods of sharing work were discovered, the most common being the shortened work-day and week. One-third of companies had initiated repair and maintenance programmes to maintain payrolls while 37% has instituted direct relief plans for their employees either unilaterally or in cooperation with local agencies. The commencement of new construction, manufacture for stock and the extension of loans to employees were the other stabilisation methods found to be in use, being practised by 12, 20 and 14% respectively of the respondents.<sup>51</sup>

Companies frequently used these methods in combination.<sup>52</sup> The American Multigraph Co. claimed to have increased its payroll from 425 on 1 January, 1930, to 460 at the end of the year by means of diversifying its product and reducing working hours. The American Rolling Mill Co. employed four devices to ameliorate conditions for its employees: the provision of "fill-in" work, rotation of jobs between slack and busy departments, the payment of "retirement allowances" and cooperation with established community relief agencies, through which the company channelled \$75,000 a year. Both the Chicago, Burlington and Quincy Railroad and the Chicago and North Western Railway Co. reported work-sharing schemes in operation, supplemented in the former case by the provision of food supplied for unemployed workers, and in the latter by acceleration of repair work and provision of supplies and medical attention to laid-off employees. Both the Bethlehem Steel Co. and Commonwealth and Edison Co.

51. U.S. P.E.C.E., A Survey of Unemployment Relief in Industry (Washington, D.C., January, 1931).

52. It was not general P.E.C.E. practice to specify the programmes of individual companies. The organisation claimed that this was done to avoid inflated claims in the replies of individual concerns and to observe industrialists' wishes that no false impressions should be created of industry's ability to meet the unemployment problem. A perusal of industrialists' replies in the P.E.C.E. records, however, makes it clear that they were equally concerned to avoid any binding commitments or being inundated with relief demands from past employees.

claimed to have established work-sharing schemes, Bethlehem reporting that 90% of its work force had been retained intact as a result. Both companies supplemented work-sharing by other practices: the steel concern by providing credit to employees in need; the electrical company through job rotation.<sup>53</sup>

P.E.C.E. research provided the material for its general and specific literature on stabilisation and relief programmes to combat the effects of business depression.<sup>54</sup> The printed media was complemented by the use of radio as a vehicle for disseminating information on industrial stabilisation. Leading industrialists were invited to deliver brief radio addresses outlining their companies' contributions to employee welfare. Gerard Swope, president of General Electric, discussed his company's broad programme of unemployment insurance and employment stabilisation; Cyrus McCormick, vice-president of International Harvester Co. surveyed the benefits of loans to employees; Henry S. Dennison, president of Dennison Manufacturing Co. and Morris E. Leeds, president of Leeds and Northrup Co. urged that reserves be accumulated during profitable years as a contingency for future unemployment; Walter C. Teagle, president of Standard Oil Co., New Jersey, and Myron C. Taylor, chairman of U.S. Steel Co., outlined their companies' records of employment stabilisation, particularly through work-sharing; William G. Stuber, president of Eastman Kodak Co., emphasised the value of ameliorating seasonal fluctuations in employment, while Col. William Cooper Procter, chairman of the Board of Procter and Gamble Co., considered approaches by which industry could "guarantee" employment for workers.

53. T.H. White to J. Douglas Brown, 10 December, 1930. Charles R. Hook to J. Douglas Brown, 12 December, 1930. F.E. Williamson to J. Douglas Brown, 9 January, 1931. W.M. Walliser to J. Douglas Brown, 8 December, 1930. J.M. Larkin to J. Douglas Brown, 9 December, 1930. Homer E. Niesz to J. Douglas Brown, 11 December, 1930. R.G.73 Series 19, Records of the Industrial Division: Industrial Radio Series.

54. See U.S. P.E.C.E., Outline of Industrial Policies and Practices in Time of Reduced Operation and Employment (Washington, D.C., February, 1931) and U.S. P.E.C.E., Loans as an Unemployment Relief Measure (Washington, D.C., February, 1931).

P.E.C.E. also recruited Lawrence A. Downs, president of the Illinois Central System, to discuss the role of the railroads in combatting unemployment and the A.F. of L.'s president, William Green, to present the trade union viewpoint.<sup>55</sup> The selection of prestigious individuals conformed to the Hooverian formula of how best to promote ideas through publicity.

P.E.C.E. was preoccupied with exploiting the most useful channels through which ideas could be converted into action. In the summer of 1931, the Committee focussed its attention on a medium which was integral to Hoover's concept of voluntary associationism: the trade association. Not only could the associations provide a mechanism for the dissemination of stabilisation proposals for their members, but they had the organisational structures to effect industry-wide planning.

From its inception P.E.C.E. had made use of trade associations to convey information on stabilisation programmes to their memberships. For example, their cooperation was sought during the Committee's work-sharing drive of March 1931. Then over two hundred associations were circularised with pamphlet literature and were requested to establish committees to formulate work-sharing plans with their member firms. According to W.J. Barrett, about half of the associations followed up on P.E.C.E.'s suggestion.<sup>56</sup>

During the early summer of 1931, P.E.C.E. decided upon a strategy whereby stabilisation programmes would be sponsored by trade associations. The programme would be inaugurated by a well-publicised joint conference of trade association representatives and P.E.C.E. and government personnel. Edward Eyre Hunt, secretary to P.E.C.E., appears to have been the source of the conference venture. On 27 May, Hunt wrote to Secretary Lamont

55. The addresses were published in collective form in U.S. P.E.C.E., Unemployment: Industry Seeks a Solution - A Series of Radio Addresses (Washington, D.C., February, 1931).

56. Hearings, Establishment of a National Economic Council, op.cit., 157-158.

of the benefits of holding a small national conference on employment and business stabilisation, on the lines of the President's Unemployment Conference of 1921, to coincide with and reinforce any future improvement in the business situation. Hunt speculated that the conference might be most useful in the autumn if business conditions warranted.<sup>57</sup> However, on 9 June, the machinery was already being set in motion for the holding of a national trade association conference in July. After consultations with Fred C. Croxton, vice-chairman of P.E.C.E., William J. Barrett, trade association liaison officer, informed the leading association executive, Roscoe C. Edlund of the Association of American Soap and Glycerine Producers, that his Committee was contemplating "an aggressive program" of industrial stabilisation using trade associations to provide the major thrust. P.E.C.E.'s aim was to make more widespread the isolated stabilisation practices of individual firms and associations. A conference of executives would "bring together the best thoughts in the development of a program for the rapid dissemination to trade associations of how they could best set up their operations".<sup>58</sup>

P.E.C.E. officials had numerous reasons for sponsoring such a programme. Outwardly the organisation professed - as Barrett did to Edlund - that it wished to use associations as the most "direct" and "effective" way of implementing stabilisation programmes. However, two other considerations would seem to have been decisive in P.E.C.E.'s initiative as revealed by Hunt in his letter to Robert Lamont. In the first place, Hunt noted that a vogue for economic planning was "in the

57. E.E. Hunt to Secretary Lamont, 27 May, 1931. R.G.73 Series 1, Chronological Files of Edward E. Hunt.

58. William J. Barrett to Roscoe C. Edlund, 9 June, 1931. Ibid., Series 12, Office Files of Erving P. Hayes: Secretary.

air" and warned of the "great danger of foolish measures next winter" when undesirable programmes such as "compulsory stabilization plans" and schemes for unemployment insurance might be enacted by Congress. As an alternative, Hunt believed that a conference on business and employment, accompanied by "aggressive management" would deflect much of this radical sentiment. The conference would "give a decided impulse to the long-time stabilization program," Hunt contended. "It could give an impulse to sound and practical business planning, instead of letting the very word 'planning' be appropriated by the Reds and Pinks." In the second place, Hunt feared that P.E.C.E. was languishing and required a strategy to ensure its continued usefulness. The agency "cannot do more than mark time," Hunt advised Lamont, "it may even go down hill, unless a new impulse is given to it from outside."

Neither Hunt nor Barrett envisaged that the conference would consider any 'radical' approaches to planning of the type being discussed currently by liberal, labour and business groups. Strictly adhering to Hooverian principles, Hunt asserted that the strength of any conference would be in "restating" the problem of stabilisation "in a purely factual setting". Voluntary initiative, guided by accurate and available information rather than coercion and government direction was the very touchstone of Herbert Hoover's approach to planning. Barrett explained at length P.E.C.E.'s attitudes towards planning by trade associations. They would provide the information on which members would base their stabilisation programmes. Information on orders received, production, shipments, inventories and profits would assist the individual operator in planning his operations to avoid overproduction and price-cutting. From such beginnings it was "but a step" to greater cooperative activity in the form of cooperative research, cost accounting, purchasing and selling. Through access to "the best advice on management practices" industries would be in a superior

position to forecast and plan operations on a more regularised basis, eliminate seasonal variations in employment, provide for unemployment reserves and shorter working hours.

The meeting was scheduled for 15 July, 1931. Fred C. Croxton sent invitations to "a few key men" in the trade association movement "to discuss the place of the trade association in the current handling of the employment problem and in long range planning for industry and business".<sup>59</sup> At least two executives felt that P.E.C.E.'s initiative might inaugurate long-term planning through trade associations. Leslie C. Smith, president of the American Trade Association Executives, reflected that the feeling of many leading executives was that "the study of stabilization of industry is one which may very helpfully be made a matter of permanent endeavor". A.P. Haake, Managing Director of the National Association of Furniture Manufacturers Inc., was convinced that a long-term programme should be set in motion to prevent or mitigate the extremes of the business cycle. "I am frank to say to you that in my judgment the situation, especially from a long time point of view, calls for adequate government of industry, if not by the government then by industry itself," Haake asserted. "But there must be government!"<sup>60</sup>

The programme for the conference was discussed at a dinner meeting on 1 July, 1931, attended by Edlund, Barrett, Philip P. Gott, Manager of the Trade Association Department of the Chamber of Commerce, and other representatives of the government and trade associations. The meeting was agreed that the most critical problem facing industry was destructive competition, and that this was a matter which the trade association movement had the power within itself to correct without resort to government

59. Open letter from Fred C. Croxton, 3 July, 1931. R.G. 73 Series 7, Office Files of Fred Croxton: Trade Association Executives Meeting.

60. Leslie C. Smith to Fred C. Croxton, 11 July, 1931. A.P. Haake to Fred C. Croxton, 11 July, 1931. Ibid.

action. The purpose of the conference would be to inspire interest in "a definite plan on the part of business management", the basis of which would be stabilisation of operations through the advice and guidance of trade associations.<sup>61</sup>

Secretary Lamont and P.E.C.E. officials confirmed this commitment to a long-term perspective of trade association planning in their introductory conference remarks. W.J. Barrett drew the distinction between "creative" and "corrective" work by P.E.C.E., the former representing the organisation's efforts to create immediate employment, while the latter represented its commitment to advancing stabilised business and employment conditions in the long-term. The "corrective" aspect was emphasised by Fred Croxton who appealed to executives to consider how ameliorative measures resorted to in the present emergency could be incorporated into long-term planning programmes. Robert P. Lamont claimed that only trade associations could effect the type of advanced planning which would avoid the recurrence of similar depressions:

The individual can't do it; it has to be done by groups of industry. The Federal Government can't do it and if it is not done by trade association activities I don't know how it can be done. It is up to the trade association to see what it can do.

Lamont was even prepared to hold out the bait of antitrust law revision to stimulate trade association action. "Maybe it is going to be difficult without some change in our laws and if that is necessary changes can be brought about," Lamont promised. But before that point, he was confident that "a great deal can be done if members of the industry are advised to the facts".<sup>62</sup>

61. Trade Association Plan; Memorandum before dinner meeting, 1 July, 1931. Ibid.

62. Report of Trade Association Executives' Meeting, 15 July, 1931. Ibid.

In the aftermath of the meeting Croxton circularised trade association executives requesting their cooperation in encouraging the adoption of emergency programmes by their members both to provide work and to establish the type of informational services which would be requisite to long-term planning by individual operators. Croxton concluded with a veiled threat if the trade associations failed to rise to their responsibilities. "If such activities toward greater continuity of operation and income should become the accepted policy of industry and commerce," he counselled, "there would be little necessity for discussion of other methods for control outside the scope of these groups."<sup>63</sup>

P.E.C.E. continued to support the efforts of trade associations, such as the Cotton Textile Institute, whose programmes the organisation approved.<sup>64</sup> However, P.E.C.E.'s great effort to educate trade associations in economic planning according to the principles of voluntary associationism was handicapped by economic circumstances which induced a pessimism amongst businessmen and association executives and a scepticism about the industry's capacity to stabilise unless legislative change removed the threat of prosecution under the antitrust laws. While P.E.C.E. urged the dissemination of facts as a basis for voluntary planning, business leaders, such as Gerard Swope, and organisations, such as the Chamber of Commerce, contended that goodwill and access to statistics were not enough, in themselves, to promote business stability. Revision of the antitrust laws was regarded as a prerequisite to planning. 'Cutthroat' competition was unlikely to be checked without the type of collusion between firms over output and prices which was prohibited by the antitrust laws.

63. Open letter from Fred C. Croxton, 18 July, 1931. Pres. Box 92 File, Business - Stabilization Plans, H.H.L.

64. George A. Sloan to Fred C. Croxton, 10, 31 July, 1931. Fred C. Croxton to George A. Sloan, 7 August, 1931. R.G. 73 Series 7, Office Files of Fred Croxton: Cotton Textile Institute.



Ironically, a section of business opinion - represented by Swope - was becoming increasingly favourable to the type of control that Croxton threatened and the trade associations which P.E.C.E. sought to woo were reticent to implement planning proposals without antitrust law revision.

William Barrett had grasped the essence of the problem even before the P.E.C.E. trade association strategy was fully developed. On 22 May, 1931, he wrote to Kendall K. Hoyt of the Industrial Division that the basic difficulty in the adoption of stabilisation programmes by industry was that "the industrial companies are troubled with declining surpluses". Executives, pressured by boards of directors to pare costs and increase profits were "loath to commit themselves to any policy". Even the most "enlightened companies" to which P.E.C.E. naturally turned to champion stabilisation activity were resorting to dismissals.

P.E.C.E. was superseded by the President's Organization on Unemployment Relief (P.O.U.R.) established by President Hoover on 19 August, 1931. The machinery of P.E.C.E. was incorporated into the new organisation, its role being to study employment problems. Walter S. Gifford, president of American Telephone and Telegraph Co., became director of the new programme, replacing P.E.C.E.'s acting Chairman, Fred C. Croxton who had headed the organisation since the resignation of Arthur Woods in April 1931.<sup>66</sup> Effectively, P.O.U.R. remained in operation for ten months. In his message to Congress of 5 July, 1932, Hoover noted that Congress had omitted to make any appropriation for the continuance of P.O.U.R. and unsuccessfully requested a modest \$120,000 for the next fiscal year.<sup>67</sup>

65. William J. Barrett to Kendall K. Hoyt, 22 May, 1931. R.G. 73 Series 19, Records of the Industrial Division: Barrett, W.J.

66. Press Statement: Establishment of P.O.U.R., 19 August, 1931. State Papers, op.cit., 1: 609-610.

67. Ibid., 2: 220-221.

P.O.U.R. marked no break with its predecessor's commitment to voluntary associationism. Although a new structure emerged, greater business expertise was employed, and the organisation's publicity approaches were sharpened, like P.E.C.E. it continued to view its role as that of coordinator, assisting the primary efforts at State and local levels and amongst private organisations. Gifford outlined the functions of his organisation before a Senate committee in January 1932. "The job simplified down" to four principles: the raising of private and public funds for relief; the administration of relief; the provision of work through industrial programmes such as work-sharing and the investigation of the possibilities of increasing employment through public works programmes.<sup>68</sup>

Hoover's sponsorship of economic planning through voluntary associationism at the national level was paralleled at State level by Franklin D. Roosevelt in New York. On 30 March, 1930, Governor Roosevelt announced the appointment of a Commission on Unemployment Problems, New York being the first State to appoint an organisation to coordinate, on a State-wide basis, constructive efforts to stabilise business and reduce unemployment. Roosevelt's announcement resounded with phrases compatible with Herbert Hoover's planning concepts. The Governor warned that the index of factory employment in the State had fallen by 9% since October 1929, and that "bread lines are increasing in our great cities". To avoid even greater distress in the winter of 1930-1931, Roosevelt advised the immediate consideration of "plans" with which to counteract the depression. "The situation is serious and the time has come for us to face this unpleasant fact dispassionately and constructively," Roosevelt affirmed, "as a scientist faces a test tube of deadly germs, intending first to understand

68. U.S. Congress, Senate, Subcommittee on the Committee of Manufactures, Hearings on S.174 and S.262, Unemployment Relief, 72nd Congress, 1st Session, 1931-1932: 310.

the nature, the cause and the effect, and finally the method of overcoming and the techniques of preventing its ravages." While concerted action by local governments, business organisations and industry would do much to remedy existing conditions, any initiatives should be taken "in full knowledge of the actual facts" and "without hysteria or exaggeration".

The brief of Roosevelt's Commission was to enquire into the causes of the depression, and through the collection of information on existing private stabilisation projects, both within the State and elsewhere, publicise the means already developed by business to regularise production and employment. Roosevelt stressed that his purpose was to launch a long-term programme for the stabilisation of industry and employment which would be based "on authentic American business experience and arising out of and adapted to their own local industrial problem". The cooperation of the business community was central to this endeavour. Roosevelt praised those industrialists who had the foresight to plan for such emergencies and characterised their efforts as "an interesting and vigorous chapter of the story of American inventiveness, courage and leadership". The Commission would use as models the progressive schemes of enlightened employers and Roosevelt trusted that, informed of the facts and the available planning alternatives, "good will and sound business judgment" would secure their widespread adoption.<sup>69</sup>

Roosevelt followed the work of the Commission closely, using its ex-officio member, the Industrial Commissioner, Frances Perkins, to keep him informed of its progress. When the final report was published in June, 1931, Perkins remembered that Roosevelt had been "greatly impressed"

69. Commercial & Financial Chronicle 130 (5 April, 1930): 2330-2331.

with at least some of the individual plans discovered by the Commission to be in operation in American industry.<sup>70</sup>

The Bureau of Statistics and Information of New York State confirmed that the Commission had canvassed 1,900 firms representing one-third of all factory workers in New York State, and that responses were gleaned from 598 concerns. In large part the Commission based its report on the replies of those 292 concerns which reported having plans in operation to stabilise forces or operations. In other words, only 15% of all the factories surveyed furnished information on plans.<sup>71</sup> Similar to the studies of P.E.C.E. and P.O.U.R., the Commission's sampling was limited and its recommendations were drawn from examples provided by an unrepresentative minority of business concerns. However, unlike the Hoover organisations, the New York Commission on Unemployment made no attempt to buttress business confidence by conjuring a favourable survey of business conditions through its researches. The Commission was more concerned with providing models for emulation in a period of economic crisis.

Among the methods in operation in industry to induce stabilisation, the Commission discovered that part-time working was the most popular. Although practised by 157 New York establishments in the survey, the best known example cited was the programme of the cereal manufacturers, Kelloggs

70. Frances Perkins, The Roosevelt I Knew (New York, 1964): 101; 103. The commission's report is divided into two parts. Part One discusses the causes of the depression, gives a general outline of schemes in operation to induce stabilisation of production and employment and concludes with a list of recommendations for the State government. Part Two examines methods of stabilisation in operation in greater detail on a firm-by-firm basis. The Commission's original - "preliminary" - report was completed in November 1930 and was revised in June 1931 to accommodate new developments. Part I: Stabilized Employment. Report to Honorable Franklin D. Roosevelt, Governor of the State of New York submitted by the Governor's Commission on Unemployment for the State of New York. Part II: Report of the Governor's Commission on Unemployment Problems for the State of New York. Illustrations of ways of stabilizing operations and plans of Unemployment Compensation, November 1930, revised to 30 June, 1931. (Second Printing: Albany, June 1931)

71. Bureau of Statistics and Information, New York State, Industrial Bulletin: No. 9 (Albany, June 1930): 251-252.

at Battle Creek, Michigan. The company had added 430 employees to its payroll through a reduction of the working-day from eight hours to six, and the introduction of a four rather than three-shift system, while increasing wage rates to give workers the same overall purchasing power as in 1928. Other major stabilisation programmes discovered included manufacturing for stock in times when demand was low, stimulating consumer demand during 'off seasons', rigid sales forecasting and forward planning to enable production to be scheduled to allow employment to be evenly distributed throughout the year despite fluctuations in sales, and the development of sideline or 'filler' products to employ workers during slack seasons. Other methods that the Commission considered to constitute conscious efforts to stabilise production and employment included temporary transfer of employees to other tasks in the factory; stimulation of advanced orders and superior sales efforts; standardisation of production and reduced prices to stimulate demand. Frequently the use of these methods, singularly or in combination, proved successful for employer and employee alike. The Eastman-Kodak plant at Rochester, New York, for instance, boasted a virtually unchanged payroll between 1929 and 1931.<sup>72</sup>

In her testimony before a subcommittee of the Senate's Committee on Manufactures in 1931, Frances Perkins emphasised the importance of the New York Commission's studies. While she acknowledged the small percentage of firms returning positive replies she regarded them, and the efforts to attain stabilisation which lay behind them, as significant. The sample "may seem small to you," she remarked, "but inasmuch as the stabilization of industry has been talked of but very recently, it is a comforting percentage." Perkins could even applaud stabilisation projects which

72. Stabilized Employment, op.cit., 7-40.

did not include "major planning" and were "not worthy of much attention", since, at least such examples reflected "a conscious effort to do something". While the results were not significant in totals, Perkins insisted that their quality was conspicuous "in that there are a number of plants which have managed, through careful analysis of both their market and production plans, to go through these years of depression with a minimum of laying off". The ones that had succeeded formed "a striking picture".<sup>73</sup>

Perkins kept Roosevelt informed of the Commission's work but was not the sole source of information for the Governor, since he personally maintained contacts with individual members such as Ernest Draper and its Chairman, Henry Bruère. Writing to Bruère in November 1930, Roosevelt displayed his familiarity with stabilisation schemes and the firms employing them in a discussion of loans-to-employees plans. Roosevelt understood that two major methods of loan plans were in operation. First, those operated by individual companies which were premised on the assumption that unemployment would be temporary and that their employees would soon return to work and pay off the loan. Second, those devised by "industrial communities" such as Rochester, which could rally sufficient resources to underwrite large credit sums to be advanced by the community banks. The Governor also understood the limitations of such schemes: that only large, sound companies could afford to sponsor such loan programmes and that loans could be made only to "thoroughly responsible people who have a good record of work and enough pride to repay the loan, but too much pride to ask for charity". At best, Roosevelt believed, loans could "take care of the large percentage of cases of men and women, chiefly heads of families, who are regular workers, and this would eliminate at least a portion of the general problem".<sup>74</sup>

73. Hearings, Establishment of a National Economic Council, op.cit., 139-140.

74. Franklin D. Roosevelt to Henry Bruère, 21 November, 1930. Records of the Office of the Governor (hereafter cited as R.O.G.) Roll 177 (microfilm reference) F.D.R.L.

Roosevelt also corresponded with Bruère about the New York Commission instigating at local level some long-term measures for industrial stabilisation. He appreciated that unemployment had assumed nationwide proportions and required national solutions, particularly with a view to "the equilibration of production and consumption". This should not inhibit positive responses by states pending national action and Roosevelt believed that his Commission had an important role to serve in promoting business stabilisation ideas throughout New York State. Roosevelt envisaged that the work of the Commission would be coordinated with that of the State Advisory Council on Employment Problems,<sup>75</sup> so that a coherent and rational attack could be made on the unemployment problem. To this end, he recommended to Bruère a three-point programme. First, local committees should be permanently established in the chief industrial centres of New York State; second, the Commission should secure the cooperation of local public officials to work with the committees and third, in the interest of unified State action, these committees should be coordinated with the State Advisory Council.<sup>76</sup>

Not only was Roosevelt sufficiently involved in the work of the Commission that he could discourse with some degree of expertise with its chairman on an exiguous aspect of industrial stabilisation, but he was also confident enough of the value of the Commission's work to recommend that it be incorporated into a rationalised and concentrated effort to alleviate unemployment in New York State. Indeed, Roosevelt congratulated Bruère for the "distinctive service" his Commission was performing and the

75. A body appointed by Industrial Commissioner Perkins in June 1929, to advise her on methods of improving the state employment service and more effectively organise the State's labour market. The Council was given legal status in 1930.

76. Franklin D. Roosevelt to Henry Bruère, 8 October, 1930. R.O.G. Roll 177. F.D.R.L.

"significant contribution" it was making in providing solutions to the unemployment problem.<sup>77</sup>

The Commission's report emphasised the positive measures that business had undertaken to stabilise production and employment and the potential of business to improve the present situation of its own volition. The Commission admitted that "great progress is being made by American industry to overcome wide fluctuation in employment" and regarded this as auspicious of industry making "a very large contribution to the solution of the recurring problem of acute unemployment".<sup>78</sup> Frances Perkins was impressed by industry's achievements and sensed "a real disposition" amongst manufacturers to stabilise their industries as a matter of public duty. "There are a great number of manufacturers," Perkins believed, "who recognise that the demand for security and stability is a demand on industry, and they can employ their brains and their understanding of life in such way as to plan for it."<sup>79</sup>

The preliminary report made eight specific suggestions from its survey of business. One called for the establishment of an official body to study the unemployment problem; another for an improved State Employment Service and a third for a State Planning Board to frame a long-term public works programme. The remainder were recommendations stemming from the Commission's observations of businesses' efforts to stabilise. The Commission urged the widespread adoption of unemployment insurance plans by industry, the use of work-sharing schemes, the introduction of dismissal wages and the establishment of local committees to promote the movement for regularisation. Its first and fullest recommendation was a plea for

77. Ibid.

78. Stabilized Employment, op.cit., 5.

79. Hearings, Establishment of a National Economic Council, op.cit., 140. See also Frances Perkins, 'Helping Industry to Help Itself', Harpers Magazine 161 (October, 1930): 624.



industrialists to practise "well-tested methods of regularization" with the cooperation of trade associations, chambers of commerce and the State.<sup>80</sup>

Frances Perkins believed that the New York Commission reports marked a turning point in Roosevelt's economic thought. They convinced him of the need for public unemployment insurance, either through national legislation or interstate compact, and convinced him too of the need for more fundamental action to correct imbalances in the economy which made unemployment benefits necessary. "He felt," Perkins recollected, "that people ... would have to think, plan, and experiment to overcome this hazard to our industrial society."<sup>81</sup>

The nature of planning that Roosevelt encouraged as Governor before 1932 was of the voluntary associational variety whose most renowned exponent was Herbert Hoover. Both Henry Bruère and Frances Perkins recognised a kinship between their planning work and the sentiments of the President when they endorsed Hoover's statement in his address before the Chamber of Commerce of May 1930, that wise planning based upon accurate data could even out the business cycle.<sup>82</sup> For its part P.E.C.E. utilised the work of the Roosevelt Commission and used New York State stabilisation programmes in its publicity releases. Arthur Woods requested 250 copies of the Commission's "excellent" report for distribution to each national trade association and "key persons" in industry. We "know that the report will have wide influence," Frances Perkins was informed.<sup>83</sup> Particular schemes covered by the Commission's report also attracted further enquiries from P.E.C.E. such as Rochester Unemployment Benefit Plan, announced in

80. Stabilized Employment, op.cit., 21.

81. Frances Perkins, Roosevelt, op.cit., 107.

82. Henry Bruère and Frances Perkins to Herbert Hoover, 2 May, 1930. P.P.F. Box 41 File, Congratulatory Correspondence - U.S. Chamber of Commerce Address. H.H.L.

83. Arthur Woods to Franklin D. Roosevelt, 11 February, 1931. J. Douglas Brown to Frances Perkins, 14 February, 1931. R.G. 73 Series 19, Records of the Industrial Division: Miscellaneous, November 1930 - April 1931.

February 1931, in which fourteen employers of 28,000 workers agreed to pool their resources to set up unemployment reserves for their employees. Writing to Marion B. Folsom, assistant treasurer of Eastman-Kodak, J. Douglas Brown congratulated the Rochester employers in contriving "the outstanding event in the field of employment stabilization this winter" and expressed P.E.C.E.'s concern to "direct as much attention to it as possible".<sup>84</sup>

The distinction between Hoover and Roosevelt in their commitment to economic planning was that of the ideologue and the pragmatist. In April 1932, Roosevelt considered restructuring the State's economic programmes to include proposals which were "progressive, new and fearless, without being radical". "Conventional remedies have been honorably tried both by State, municipalities and private charity," Roosevelt wrote. "They have been well carried out but have proved insufficient. What next?"<sup>85</sup> Hoover, on the other hand, remained intransigent, remaining wedded throughout his tenure to the principles of voluntary associationism. Through the White House conferences, the National Business Survey Conference, P.E.C.E. and P.O.U.R., he repeated the same experiments, using the same formulae, hoping for different results. In the autumn of 1932 he made one last effort in a movement which concentrated on one planning goal: 'Share-the-Work'. By then Hoover's planning strategy had been shorn of its scope and vision, for the 1932 initiative was little more than a relief programme.

A visionary in terms of his advocacy of economic planning during the 1920s, Hoover's intransigence made him appear increasingly conservative to those who 'discovered' economic planning during the depression or who

84. J. Douglas Brown to M.B. Folsom, 19 February, 1931. Ibid.

85. 'Memorandum for "GTC"', 13 April, 1932. R.O.G. Roll 177. F.D.R.L.

resented the constraints which Hoover imposed. Liberals and labour welcomed more positive, central direction than the President was prepared to provide. Businessmen - Hoover's natural allies - became increasingly receptive to legislative change which would permit trade associations the freedom to determine output and prices in their sectors and surmount the imbalance between production and consumption. While Hoover hoped to the end that enlightened self-interest would inspire voluntary cooperation without compromising the values and virtues of individualism and competition, many of his critics charged that economic conditions were so grave that individuals needed to be coerced to act wisely. To Hoover the very concept was anathema. Consequently, the visionary became idiosyncratic at the end of a four-year period in which interest in economic planning, which Herbert Hoover had long espoused, became widespread.

### CHAPTER 3

#### THE BUSINESS COMMUNITY AND PLANNING: TRADE ASSOCIATIONISM

"Never before has 'capitalism' felt so self-conscious of itself as a system or so sincerely questioned itself," wrote the business publicist, J. George Frederick in 1932. "Instead of blaming the weather, God or the Democratic party, as so often before, the crisis has stimulated genuine analysis, and as a result we have had the serious and intelligent formulation not only of 'slump remedies' but broadscale economic planning based on a certain degree of fundamental changes in our economic system."<sup>1</sup> Against Frederick's roseate perspective of the business community and its progressive vanguard, may be placed the more sober and neutral verdict of the Federal Government's National Planning Board in 1934 that "in modern times, business has been the stronghold of economic planning and the 'center of diffusion' from which that practice has spread". The Board referred primarily to planning by the individual firm, but recognised that elements of uncertainty had forced businessmen to accept that planning needed to be conducted more broadly to erase "hazards" beyond the individual firm's control - even to the extent of requesting government aid in the planning process.<sup>2</sup> The tendency impressed the sceptical journalist, John T. Flynn, who discerned a sentiment amongst progressive businessmen to establish "The New Capitalism" in which private gain would become subordinated to public service.<sup>3</sup> As business propagandist, government agency and muckraker recognised, the depression had stimulated businessmen to consider broadening the scope and nature of economic planning.

1. J. George Frederick, Readings in Economic Planning (New York, 1932): 141-144; 293-294.
2. National Planning Board, Final Report: 1933-1934 (Washington, D.C., 1934): 21-22.
3. John T. Flynn, 'The New Capitalism', Collier's 91 (18 March, 1933): 12.

Although businessmen and industrialists responded positively to President Hoover's overtures for their support in 1929 and 1930, by 1931 the doctrine of voluntary associationism appeared to many to offer few prospects for business stabilisation and economic revival. Voluntary associationism was flawed in two respects. First, its planning proposals were too limited in scope to have any decisive effect on business conditions. Assuming that the major contributing factor to the depression was excessive competition, many business spokesmen regarded some control of prices and output and zoning of markets on an industry-wide basis as a prerequisite for stabilisation. The Hoover approach, however, limited its focus largely on the individual firm and its policies to those that would stabilise employment, rather than production. Second, voluntary associationism depended upon informal agreement and lacked any authoritative institutional mechanisms to put programmes into effect. Business spokesmen believed that trade associations were an appropriate mechanism for effecting industry-wide planning. Trade associationism conformed to the Hoover approach in the sense that initiative was retained by the business community in implementing economic planning. It diverged from voluntary associationism in its implications of legislative change to achieve its ends. Some advocates of trade associationism even conceded government supervision in return for a liberal definition of the organisation's legal functions. Herbert Hoover equated such proposals with an offensive cartelism.

The persistence of the depression was undoubtedly the principal factor in stimulating the interest of the business community in planning. However, other considerations were also apparent. A humanitarian concern for the plight of labour motivated some progressive employers, such as the food packer, Ernest Draper. Draper called for "an American plan" to

provide short-term relief and even out fluctuations in the business cycle. "Rugged individualism is not rugged enough to save the unemployed worker from complete annihilation when forces of depression grip the nation as they now do," he reflected in 1931.<sup>4</sup> In the same year, Steel recognised the importance of two other related influences. The journal noted that the depression had instilled a new sense of responsibility for the welfare of the community and the worker within business leadership. Only a minority of executives - "adherents to the old school of industrial tyranny" - continued to shirk their responsibilities and in doing so, gave industry as a whole "a 'black eye' in the public mind" and risked stimulating "congressional attacks on big business".<sup>5</sup> In effect, Steel identified two of industry's major preoccupations since the Progressive era which were re-emphasised during the early depression years: the public image of business and the fear of government intervention in the affairs of industry.<sup>6</sup> Business sponsorship of economic planning was at one-and-the-same time a means of rehabilitating the depression-tarnished business image, pre-empting overt federal regulation, fulfilling community obligations and providing an economic framework conducive to revival and stabilisation.

Sensitivity about the public image of business and anxiety about excessive government intervention developed in parallel and spanned the period from the 'New Era' of the late 1920s to the enactment of the N.I.R.A. in June 1933. Both concerns found emphasis in the trade association lawyer, Benjamin A. Javits' Make Everybody Rich: Industry's New

4. Ernest G. Draper to Dr. John H. Finley, 30 July, 1931. Draper MSS: Box 1 File, 1928-1934.

5. Steel 88 (5 February, 1931): 4.

6. Morrell Heald, The Social Responsibilities of Business: Company and Community, 1900-1960 (Cleveland, 1970): 20-174. Allan R. Raucher, Public Relations and Business, 1900-1929 (Baltimore, 1968).

Goal (1929), a work published in the expiring days of prosperity and embodying 'New Era' optimism to its fullest degree. Javits sought to persuade business leaders to translate the technological progress of the decade into social gains, by raising the spectre of government intervention if industry failed to act. "If the movement to 'make everybody rich' is not soon attempted by organized industrial intelligence, it will soon be attempted by organized political ignorance," Javits advanced.<sup>7</sup> The onset of the depression made the business community more conscious of the importance of maintaining its prestige. Business Week was prompted to chide critics of government for failing to lead by example. "Business should find no alibi in government, nor government in business," the journal declared.<sup>8</sup> Sympathetic voices in education exhorted businessmen to rise to the crisis. Wallace B. Donham urged them to broaden their perspectives from the individual company to the welfare of industries and the community as a whole: "Such attention to these problems by our industrial leaders is essential to the continuance of our present civilization."<sup>9</sup> Glenn Frank challenged that the alternative to "revolutionary politics" lay in the businessman adopting the idealism of the reformer and becoming the sponsor of change. "Sound economic statesmanship suggests that the soap box be taken indoors, that it be set up in the directors' room and that it be henceforth occupied by the industrial administrator," Frank reflected.<sup>10</sup>

7. Benjamin A. Javits, Make Everybody Rich: Industry's New Goal (New York, 1929): x; 36; 125; 275.

8. Business Week, 11 March, 1931: 56.

9. Donham, Business Looks at the Unforeseen, op.cit., 12.

10. Frank, Thunder and Dawn, op.cit., 382-383.

Fear of alternatives served to inspire the formulation of individual programmes to ameliorate the effects of the depression on labour. Both Marion Folsom of Eastman Kodak and the tool manufacturer, James W. Hook, recommended that industry assume the initiative in championing unemployment insurance to pre-empt government action in this field. "We believe that the responsibility for establishing unemployment reserves rests with industry," Folsom wrote in 1931, "and if industry does not accept this responsibility, it will have to face legislation - possibly unsound legislation."<sup>11</sup> Hook contended that the alternative to privately-initiated schemes was the establishment of a federal 'dole' based on the English model with its arbitrary and inequitable charges on employers. "Let industry solve its own problems," he advised, "if necessary under regulatory laws that will make all units of industry accept the principle uniformly. But let industry do the job."<sup>12</sup>

The sponsorship of planning by the business community to pre-empt government encroachment on the functions of private enterprise was a leading theme of business organisations, individual spokesmen and trade periodicals throughout the early depression. In the summer of 1931, the National Civic Federation noted with concern the growing conviction that the alternative to inaction in the private sector was government intervention, and urged business to consider its own measures of guidance to mark out "a greater goal for industry than it has ever known - the proper service to a nation of human beings".<sup>13</sup> Government intervention threatened to stultify entrepreneurial initiative and involve political 'log-rolling',

11. Marion B. Folsom, 'The Rochester Unemployment Benefit Plan', Papers and Proceedings of the American Academy of Political Science 14 (no.4, 1931): 22.
12. James W. Hook, 'Industry's Obligation to the Unemployed', Mechanical Engineering 53 (October, 1931): 712.
13. National Civic Federation, 'A Manifesto on Planning', in Charles A. Beard (ed.), America Faces the Future (Cambridge, Mass., 1932): 35.



Paul Mazur of Lehman Brothers believed. "In order to avoid the inevitability of the imposition of government regulation," Mazur wrote, "it is an urgent necessity for industry to take energetic remedial and regulating steps on its own initiative."<sup>14</sup> Owen D. Young, chairman of General Electric, located three courses open to business: it could continue complacent in a "system of intensified individualism"; accept responsibility to formulate and execute programmes to promote recovery and stabilisation, or acquiesce in government exercising the initiative. The last alternative was as undesirable as the first since government would use the power of taxation rigorously to achieve desired ends and "this carries only a political and not an economic check on such expenditures".<sup>15</sup> Gerard Swope placed the onus on business to organise industry, coordinate production and consumption and stabilise employment. "Even if industry falls short of an ideal accomplishment, there is no doubt in my mind," Swope advised, "that more progress will be made and it will be better done and cost less than if the government, either State or Federal, endeavors to do it."<sup>16</sup>

In the early months of 1933 much of industry had become reconciled to a degree of federal intervention as a necessary sacrifice to prevent more wholesale government interference. Steel greeted Roosevelt's inauguration with expressions of penitence, regretting that "bitter experience has demonstrated the folly of much of our 1929 thinking" and demanding new standards from businessmen in terms of a "purification of the motives of men and a higher regard for the quality of integrity".<sup>17</sup>

14. Paul M. Mazur, New Ways to Prosperity: The Crisis and Some Ways Out (New York, 1931): 133-134.

15. New York Times, 17 September, 1931.

16. Gerard Swope, 'Stabilization of Industry', Papers and Proceedings of the American Academy of Political Science 14 (no.4, 1931): 112.

17. Steel 92 (6 March, 1933): 18.

The response of industrial spokesmen to the new administration's industrial recovery programme was to accept a limited extent of government intervention into industry's activities and seize the opportunity for 'self-government' through trade associations to preclude a larger governmental role.<sup>18</sup> As Francis E. Neagle, counsel for the National Electrical Manufacturers' Association expressed it:

The theory of the bill is to allow industry to govern itself. If industry fails to govern itself, then government will not fail. If we do not regulate our own industry, government will regulate it for us. The two are not going to fail. If one fails, the other acts.<sup>19</sup>

Educationalists were particularly concerned about the public image of business since it reflected upon those institutions which provided specialist services for business education. Further, the economic crisis and the retarded 'natural' revival presented business educationalists with an opportunity to call for a re-evaluation of business ideals, in which business management faculties would play a leading role. Professional prestige was a major motivating factor in the espousal of planning by spokesmen of the universities.<sup>20</sup>

Harvard's Wallace B. Donham advocated planning with the proviso that it would result in no radical or revolutionary change in the social structure and that control of economic forces could be made compatible with the maintenance of private enterprise and the retention of individual opportunity. While Donham was reluctant to abandon qualities which he considered indispensable to economic progress and a high standard of

18. William H. Wilson, 'How the Chamber of Commerce viewed the National Recovery Administration: A Re-Examination', Mid-America 44 (April, 1962): 96-97.

19. New York Times, 24 May, 1933.

20. Donham, 'Business Ethics', op.cit., 385-394. Idem, 'The Failure of Business Leadership and the Responsibility of the Universities', Harvard Business Review 11 (July, 1933): 418-435.

living, he recognised that individualism had failed to provide security to such a degree that it was presently reacting upon itself and withholding opportunities for individual initiative. Moreover, not only the risk-takers suffered from the economic depression, but also those millions of workers who had sought no opportunity except the security of continuous employment. The object of planning for Donham became the reconciliation of individualism with stability and security. Further drift and continued insecurity might jeopardise the capitalist system and its potentialities, and as such, Donham could not condone reliance on "happy accidents" to promote revival. "This is not time for panaceas or patent cure-alls," he wrote. "Neither is it a time to wait for miracles."<sup>21</sup> Stability and security would be attained only through the substitution of intelligence for chance in meeting present emergency conditions and future developments.

The businessman was central to Donham's planning ideas. While he accused businessmen of "overspecialization" and called for the adoption of broader perspectives on economic problems by business leaders, he was confident that the ability and incentive existed for their successful sponsorship of planning. However, Donham advised that business would be unable to shoulder the entire responsibility for planning and that government had a significant function to perform. What Donham envisaged was a dichotomised form of planning with business and government sovereign in their respective spheres. Functions would be strictly demarcated. Distinguishing between "business" and "social" problems, Donham recommended that business should concern itself with the technical aspects of the economy to ensure continued employment and prosperity, while government should plan on the premise that in times of economic recession, when

21. Idem, 'Twenty Year Plans: As Related to the Temporary Emergency', Mechanical Engineering 55 (January, 1932): 9-10. Idem, 'The Attack on Depressions', Harvard Business Review 11 (October, 1932): 47-48. Idem, Business Looks at the Unforeseen, op.cit., 3-4; 16.

business was unable to provide necessary security, it would furnish employment through public works programmes. Government was to take the ultimate responsibility for giving security, but not for instigating economic progress. "Business is primarily responsible for efficient plants and for efficient current production," Donham remarked. "Government is responsible for public works."<sup>22</sup> There was no irony for Donham in his suggestion that government make plans in a 'planned economy' to meet unemployment in times of depression, for he believed that slumps were inevitable and that no amount of planning could prevent them while maintaining the goal of a high standard of living.

Glenn Frank shared Donham's convictions that the business community should initiate planning and that education had a vital role to play in propagating a wholesome sense of social responsibility in young executives.<sup>23</sup> He feared that the economic crisis had placed in jeopardy western democracy and held that the West was confronted with the stark alternatives of "social control by design or social suicide by default". While Frank rejected any compromise of private rights, he contended that to avoid social convulsion, industry must necessarily shed "the still regnant philosophy it inherited from Adam Smith". A "new capitalism" was required, based on planning and pioneered by enlightened business leaders. Frank had scant respect for "the inherited patten and patterns of politico-social liberalism", and doubted that a complex technical civilisation could be served adequately by the type of political leadership that democracy habitually provided where leaders were indistinguishable from

22. Idem, 'Can American Business Meet the Present Emergency?', Harvard Business Review 9 (April, 1931): 265-266. Idem, Business Adrift (London, 1931): 128; 135; 137-139; 144. Idem, Business Looks at the Unforeseen, op.cit., 65.

23. Frank, Thunder and Dawn, op.cit., 220-225.

their electorates. The need was for the "first-class man" with the "first-class mind" to assume the initiative in humanising the industrial order and creating a "mass-conscious" industrialism and he was confident that such potential leadership resided in industry. An enlightened business leadership would appreciate that reform was a policy of enlightened self-interest: "The best insurance policy for capitalism, but the best business policy for capitalists." It would realise that industry's self-interest lay in facilitating distribution through higher wages, shorter hours and lower prices, understanding that consumer prosperity represented the surest guarantee of industrial profits. It would also erase the anomaly of the general planlessness in America's social development with the meticulous planning that had been applied to the development of individual enterprises. The leadership would appreciate that in a complex technological era, laissez-faire was "suicidal" and some measure of planning "imperative".<sup>24</sup>

Representatives of the legal profession also favoured the initiation of planning by the business community and were principally concerned with the mechanisms through which this could be achieved.<sup>25</sup> Lawyers were dissatisfied with the functioning of the antitrust laws, particularly with the inherent uncertainties faced by businessmen in compliance, the stringent penalties of criminal prosecution and the wisdom of allowing legal reasoning to determine what were essentially economic matters. Judicial license made for uncertainty amongst businessmen as to their status within the antitrust statutes. Lawyers preferred to expand the

24. Ibid., 40; 94; 139; 182-184; 330-339; 376-386. Idem, 'Business and Politics in the American Future', The Annals 149 (May, 1930): 173-182. Idem, 'Notes on the Renewal of America', The Annals 162 (July, 1932): 160.

25. The close connection between the legal professional elite and the business community before the New Deal is discussed in Jerold S. Auerbach, 'Lawyers and Social Change in the Depression Decade', in Braeman et al., (eds), The New Deal, op.cit., 1: 133-142.

powers of the Federal Trade Commission to advise and liaise with business and establish more explicit and lenient rules of conduct. Particularly they were concerned to legitimise the status of the trade association as an instrument conducive to business stability and planning.

Three trade association lawyers were especially prominent in the discussion of antitrust questions during the Hoover years: Gilbert H. Montague, David L. Podell, and Benjamin A. Javits. Of the three, Montague was the most cautious in advocating change. He regretted the uncertainty that existed in the administration of the laws, especially in terms of conflicts between the F.T.C. and the Supreme Court, and the Court's "hairline" decisions on practices such as price-fixing. However, he was reluctant to endorse legislative amendment publicly, satisfying himself that much uncertainty could be removed short of legislative change. A great deal could be accomplished through the provision of more complete information by the F.T.C. as to its criteria of acceptable business practices and through trade associations themselves, which should accept responsibility for educating and informing their members on government policy.<sup>26</sup>

Podell was explicit in advocating amendment, castigating the laws for their contribution to the economic depression. While they had succeeded in guaranteeing freedom of opportunity, they had also imposed grave disabilities on industry in the form of excess capacity, overproduction and 'cutthroat' competition and continued to inhibit industry from adopting positive responses to the depression through collective action. "The effect of our Anti-Trust laws has been to paralyze the one center of cooperative and enlightened planning in industry," Podell asserted with reference to trade associations. He opposed outright repeal as

26. Gilbert H. Montague, 'Better Administration of the Antitrust Laws', The Annals 165 (January, 1933): 85-92. Handler (ed.), The Federal Antitrust Laws, op.cit., 55-61.

threatening to the small businessman and favoured amendment to achieve the necessary balance between preserving the benefits of competition and reducing its disadvantages. This could be achieved through the licensing of trade associations and by giving to government powers of regulation over their programmes. By granting immunity from criminal and treble damage penalties and removing uncertainties of interpretation of the laws, industry would be provided with a climate favourable to cooperative action and planning. "It would liberate over a million merchants in this country," Podell wrote, "and afford them the opportunity to attend meetings, openly exchange their views, study their ills, discuss remedies, adopt lines of cooperative action, enter upon plans and programs which in the main would be entirely in harmony with the spirit of our Anti-trust laws."<sup>27</sup>

Benjamin A. Javits was prolific in his efforts to secure amendment of the antitrust laws, through published works, radio addresses, political connections and in cooperation with business organisations such as the N.A.M. and the Committee for the Nation.<sup>28</sup> Before the Crash, Javits had outlined his position on antitrust changes. The need was not to repeal the laws, but amend them so as to exempt "any combination in restraint of trade which shall be in the public interest". Having little confidence in the courts to adequately define "in the public interest", Javits suggested the extension of the powers and personnel of the F.T.C. to enable it to rule upon economic practices as they arose, rather than laying down general rules for divergent activities.<sup>29</sup>

27. David L. Podell, 'Our Anti-Trust Laws and the Economic Situation', American Bar Association Journal 17 (April, 1931): 254-260. New York Times, 7 February, 1931. Handler (ed.), The Federal Antitrust Laws, op.cit., 68-73.

28. Javits' influence extended beyond the Hoover administration. During May, 1933, he worked closely with business organisations to ensure that Roosevelt's industrial recovery bill incorporated features advantageous to the business community. John H. Fahey to Daniel C. Roper, 23 May, 1933. R.G. 40, File 94649.

29. Javits, Make Everybody Rich, op.cit., 237-238. Javits' emphasis.

Javits maintained his "new view of business" during the early depression, urging a contract between the business community and society in which "business should be given the opportunity to set itself up in a true sense as a 'public utility'". Given that businessmen had realised that profits and the general welfare were synonymous, the public should allow them to undertake the cooperation necessary for revival, relieved of the restraints of the antitrust laws. In return, the public could demand of business that "there shall be no unemployment, no poverty, no economic degradation".<sup>30</sup> The means of actuating business responsibility for the general welfare was through trade associations and their general codes of ethics which would proscribe methods of 'unfair' competition which damaged public and business interests alike.<sup>31</sup>

The essence of Javits' position was that modern economic society could achieve stability and full employment only through cooperation. He considered not only cooperation between firms in industry to effect economic recovery, but also cooperation between industry and government to ensure future stability, and even economic cooperation between nation-states as a means of achieving international stability. In the first instance, Javits called for closer cooperation between government and business and a shift away from the tendency of government to act as "a callous prison warden who oppresses his charges". Taking his cue from the contemporaneous Technocracy movement, Javits ventured a "science of government that is found directly on industrial and economic facts", which he referred to as "poli-tecs". "Poli-tecs" required the de-politicization of economic decision-making and the recognition that

30. Idem, Business and the Public Interest: Trade Associations, the Anti-Trust Laws and Industrial Planning (New York, 1932): 1-32.

31. Ibid., 191-258.



industrial experience and expertise were important qualifications for decision-makers. Economic decision-making should no longer be determined by criteria of political expediency but by technological imperatives, and responsibility for government policy should be entrusted to "industrial statesmen" such as Owen D. Young or Robert P. Lamont. The ascendancy of the "industrial statesman" would represent an acceptance of the need for specialisation in "political economics". Only the "industrial statesman" understood the need for coordination and integration of economic activity and the requirement that government foster these trends. At present, politics acted as a restraining influence, as attested to by the failure of Hoover's business conferences. Javits believed that business leaders had failed to commit themselves to "long-range planning ... because it was understood that the members of congress were not in favor of placing direct power to deal with the problems of the depression in the hands of the businessmen and labor leaders assembled". "Poli-tecs", however, would segregate economic decision-making from other functions of government and develop "an industrial state within the political state". This would involve the formation of a "new order" in which industry would be organised in representative units such as trade associations, trade unions, agricultural and professional organisations under the aegis of a national economic board, which would "plan and control our economic life".<sup>32</sup>

Throughout the Hoover presidency the legal profession, and particularly its organisation, the American Bar Association, performed a leading

32. Idem, 'The New Social Science - Poli-tecs': Radio broadcast over WEAf and Red Network, 29 September, 1932. Idem, 'International Poli-tecs': Radio broadcast over WEAf and Red Network, 9 January, 1933. Nicholas Murray Butler MSS: Javits File. Columbia University. Idem, Business and the Public Interest, op.cit., 35; 163; 190. Idem, 'The Anti-Trust Laws', The Annals 149 (May, 1930): 128-129.

role in the business community's efforts to facilitate industrial planning by repeatedly endorsing antitrust revision and formulating amendments for congressional consideration.<sup>33</sup> While lawyers were more concerned with the mechanisms through which planning would be effected, engineers discussed planning and its desirability in the abstract, particularly emphasising the role of the engineer in a planned society.<sup>34</sup> To some extent, engineers' interest in planning after 1929 can be explained by a need that many felt to justify their profession and its accomplishments of the 1920s in the light of the economic depression. Engineers contended that the cause of the economic dislocation lay not in the machine - in the technological advances of the 1920s - but in man and his failure to comprehend the economic and social implications of technological progress. Planning became the means of reconciling the national interest to technological progress and at the same time served to apply 'engineering principles' to economic science.

The installation of an engineer as President of the United States in 1929 stimulated the engineering fraternity to discuss its social responsibility. Writing in March, American Institute of Electrical

33. The efforts of the legal profession to secure antitrust revision are discussed in Chap. 6.
34. Edwin T. Layton has made a convincing case for regarding engineers as representatives of the business community than as autonomous professionals. In the 1920s, although individuals joined engineering societies to enhance their professional status, attachment to business was more pronounced than independent professionalism. Engineers tended to share the values of business and there are clear reasons why this should be so. The engineers' pattern of career development often involved promotion from technical consultant to administrator and business manager; loyalty requirements of the business firm limited the development of any professional, independent allegiance among engineers; business subsidised engineers and their societies and the lower middle-class, small-town W.A.S.P. origins of many engineers, together with the business influence encountered in their education, made them naturally sympathetic to business ideals. Edwin T. Layton, Jr., The Revolt of the Engineers: Social Responsibility and the American Engineering Profession (Cleveland, 1971): 1-19.

Engineers' president, R.F. Schuchardt declared that engineering advances of the 1920s had placed on the engineer "an obligation of leadership in the affairs of his nation and of the world - a new leadership, but one in which his trained analytic mind should well serve him".<sup>35</sup>

Engineers should enter public life not only to advance the place of engineering within the broader commercial and financial perspective, but also, as he wrote later, to use his skills in the search for solutions to social problems. As such, the elevation of Hoover to the presidency was indicative of the nation's appreciation of "the keen need of the time for the engineering approach to important problems of state". The engineer must "stand at or near the helm if this civilization is to survive".<sup>36</sup> For Dexter S. Kimball, Dean of the College of Engineering, Cornell University, engineers had solved the problem of production and it was left to politics to solve the problem of distribution. The difficulty was that politicians were still elected "on the basis of expediency and not upon the basis of knowledge", but, with an implied reference to Hoover's election, Kimball stated that "even here we may look for progress".<sup>37</sup> Mechanical engineer, Ralph E. Flanders encapsulated these sentiments in his assertion that the waning of the 1920s presented the moment for engineering expertise to be realised for the general social welfare - "for effective benevolence".<sup>38</sup>

35. Journal of the American Institute of Electrical Engineers 48 (March, 1929): 177.

36. Ibid., 48 (August 1929): 614.

37. Mechanical Engineering 51 (September, 1929): 652. Kimball's emphasis.

38. Ralph E. Flanders, 'Engineering and Human Values', Ibid., 649-652.

With the onset of the depression the exhortations of engineering spokesmen to their profession to assume a more active role in public life became more urgent and were accompanied by efforts to disassociate the practical accomplishments of engineers from the causes of the depression. Ralph Flanders, vice-president of the American Society of Mechanical Engineers (A.S.M.E.) in 1930, defended the past achievements of engineering as conducive to the general national interest and capable of significant social potential. "The engineer's efforts have resulted in harm to no one," Flanders claimed, "at least some slight benefit to every one, and the possibility - for the first time - of plenty for all." The problem lay in the distribution sector. The production surpluses realised by the engineer had not been translated into enhanced levels of mass consumption or greater leisure. Hence responsibility lay elsewhere: with business, government or the stock exchange.<sup>39</sup> Engineers such as Walter N. Polokov and Elliott D. Smith resented that technological and distributive unemployment had become confused in the public mind and that the engineering profession had received abuse as a consequence. The depression was not a result of advances in engineering, but rather the failure of society to keep abreast of technological progress. "It is slender comfort to find oneself ahead of the crowd," wrote Smith, "when it exposes one to taunts, not praise."<sup>40</sup>

Rather than technological progress, culpability for the depression lay with political and business leadership and the science of economics which had failed to adapt to the implications of technological advances.

39. Idem, 'The Work and Influence of the Engineer', Mechanical Engineering 52 (September, 1930): 827-830.

40. Walter N. Polokov, 'Power as a Factor in Economic Readjustments', The Annals 165 (January, 1933): 31-37. Elliott D. Smith, 'Engineers Encounter Human Nature', Mechanical Engineering 53 (January, 1931): 1-2.

To remedy this situation it was essential that politics accommodated individuals who understood the dynamics of technological progress and its potential, and who could bring to economic decision-making the qualities of scientific precision associated with the engineering profession. The "social engineer" or the "engineer-statesman" would bring with him a novel approach to the solution of economic problems: planning. As the engineer had been a devotee of planning on the micro-scale, its implementation on the macro-scale would rectify the lag between the social sciences and technological change. As Elliott Smith expressed it:

The engineer in launching new technological processes in an old world is not merely putting new wine into old bottles. He is putting high voltage into old wiring. It is an important part of the task of engineering to see that the wiring is made adequate to the new load.<sup>41</sup>

According to Flanders, traditional economic concepts and leadership were no longer adequate to translate the potential of technological progress into social gains. The science of economics had little practical value for the solution of pressing problems. "Its present role is that of disinterested observer, post-mortem investigator, analyst of current phenomena," Flanders contended. "Seldom indeed does it offer us the information and the instruction in basic principles which would enable us to control our economic problems instead of fluttering anxiously about them." A more "complete science of economics" was needed, with an emphasis upon practical applicability.<sup>42</sup> A similar reorientation of political leadership was necessary also, which involved the disowning of the inexperienced politician who assumed responsibility for economic decisions. Flanders was disillusioned with the current state of politics. The response of Congress to the depression had been "completely ineffectual" and

41. Ibid., 4.

42. Ralph E. Flanders, 'Engineering, Economics and the Problem of Social Well-Being: The Engineer's View', Ibid., 53 (February, 1931): 100.

characterised by "thoughtful flippancy". It had disintegrated "in fruitless internal wrangles and in quarrels with the President over questions of authority". If the economy was to be controlled, the initiative would have to come from elsewhere.<sup>43</sup>

Engineers' leaders responded to this 'vacuum' in leadership by sponsoring the idea of the engineer as public servant. Stressing the need to balance scientific knowledge and social intelligence, electrical engineer, William E. Wickenden called for a new "social orientation" amongst engineers, while A.S.M.E. president, Roy V. Wright suggested that the nation needed "militant engineers" to assist in solving contemporary economic problems.<sup>44</sup> Frank B. Jewett, vice-president of American Telephone and Telegraph believed that the engineer had a crucial role to play in economic decision-making since "he is the only man who in general has that full understanding of the facts of science as applied to the affairs of every-day life which is necessary for a proper operation of the new controls".<sup>45</sup> Engineering college president, Harvey N. Davis castigated engineers for not having prepared emergency plans to counter the depression through public works expenditure and advised the preparation of plans to meet the next emergency.<sup>46</sup>

Engineers contributed to the debate on economic recovery with various suggestions. Some individuals, like Edward Bennett, composed specific

43. Idem., Taming Our Machines: The Attainment of Human Values in a Mechanized Society (New York, 1931): 162-163. Idem., Senator from Vermont (Boston, 1961): 136.

44. William E. Wickenden, 'The Engineer in a Changing Society', Electrical Engineering 51 (July, 1932): 470-471. Roy V. Wright, 'The Engineer Militant', Mechanical Engineering 55 (January, 1932): 22. See also Alfred D. Flinn, 'Leadership in Economic Progress', Civil Engineering 2 (April, 1932): 242-244.

45. Frank B. Jewett, 'Problems Confronting the Engineering Profession', Mechanical Engineering 54 (April, 1932): 245.

46. Harvey N. Davis, 'An Appeal for Constructive Thinking', Ibid., 54 (October, 1932): 687.

plans, while others made more general suggestions.<sup>47</sup> Ralph Flanders favoured the establishment of an "authoritative body" to investigate economic conditions, consider proposals to stimulate revival and make recommendations to individual economic sectors through their representative institutions or organisations. Particularly, an economic council would investigate the feasibility of public works expenditure as a means of stimulating business activity.<sup>48</sup> Walter Polokov regarded it as "increasingly obvious" that planning would be introduced into economic activity and favoured its implementation by any agency. However, he understood that the transformation from individualism to planning was likely to be conducted by industry for reasons of political and economic expediency - "an easy step for small feet".<sup>49</sup> Engineers' organisations were active in sponsoring studies of economic problems. In 1932 the Engineering Foundation's study of the industrial system described the 'new frontier' as an industrial one and called for "a new fundamental philosophy" whereby the wants of the masses would be satisfied.<sup>50</sup> The American Engineering Council, taking its cue from a suggestion by Colonel Arthur Woods of P.E.C.E., embarked upon its own investigation into the

47. Edward Bennett, A Plan for the Restoration of Employment: Arguments for the Enactment of an Emergency Employment Act, Making Equal Grants of Purchasing Power to All Citizens (Madison, 1933).

48. Flanders, Taming Our Machines, *op.cit.*, 157-159. Hearings, Establishment of a National Economic Council, *op.cit.*, 243-244. Ralph E. Flanders, 'The Economics of Machine Production', Mechanical Engineering 54 (September, 1932): 612.

49. Walter N. Polokov, 'A Bag of Tricks Won't Do!', Factory and Industrial Management 85 (February, 1933): 26.

50. Alfred D. Flinn to John P. Frey, 15 April, 1932. The Engineering Foundation, 'Study of Industrial System: Informal Notes for Use of Planning Committee', Frey MSS: Box 14 File 197.

causes of and possible remedies for the depression.<sup>51</sup> The Council's Committee on the Relationship of Consumption, Production and Distribution issued two progress reports in January 1932 and January 1933. The Committee emphasised a mal-distribution of income as fundamental to the causes of the depression and stressed the role that public works expenditure could play in promoting revival. Resort to a "master-plan" on the lines of the W.I.B. or the Russian experiment was rejected as appropriate only to either a wartime situation or an economy reconciled to a low standard of living. However, the Committee was favourable to the role that trade associations could assume in sponsoring recovery through planning. As it concluded in its first report: "Arbitrary control of modern industry and commerce in all their ramifications, complexities and details, clearly is beyond the power of human beings; influences now at hand must continue to govern its details."<sup>52</sup>

The advent of the Technocracy movement in the late autumn of 1932 was of considerable interest to engineers because of the movement's close association with the engineering profession through the bogus claims of leader, Howard Scott and the bona fide credentials of Walter Rautenstrauch and Bassett Jones. While engineers were quick to disassociate themselves from the extravagant claims made by the Technocrats for the potential of technology and the movement's prediction of the imminent collapse of capitalism, the Technocrats' emphasis on the need for economic planning and the utility of the engineering viewpoint in economic decision-making found favour amongst some engineers.<sup>53</sup>

51. American Engineering Council, Executive Committee Minutes, 17 October, 1930. Pres. Box 58 File, American Engineering Council, H.H.L. The American Engineering Council continued a correspondence with P.O.U.R. See KG 73 Series 13, General Records: American Engineering Council. Mechanical Engineering 53 (January, 1930): 76-77.

52. Electrical Engineering 51 (June, 1932): 373-379. Ibid., 52 (May, 1933): 293-303.

53. The papers of John M. Carmody reveal the sensitivity of engineers such as Carmody himself, to the publicity value of the Technocracy movement for engineers' organisations.



During the Hoover years, economic planning evoked considerable interest amongst engineers. Their motives seem to have been diverse: to salvage a professional reputation jeopardised by the collapse of the 'New Era', to promote the engineer as a social leader and apply engineering principles to the regulation of economic activity, or to commit government to greater public works expenditures through planning and thereby supply more work for engineers. While engineers could present for consideration no blueprint to restore prosperity, their spokesmen did endorse planning in general terms and contributed to the developing sentiment within the business community. In terms of tangible and practicable proposals, however, the most significant emanated not from groups affiliated with business but from businessmen themselves and their organisations. In 1931, an engineering educational journal published the results of a survey conducted by Ohio State University of one hundred leading businessmen who were asked whether or not they approved of national planning. Of the sample surveyed, only seven replied in the negative.<sup>54</sup> Albeit a crude gauge of opinion, the engineers' survey suggests a significant interest in planning amongst businessmen and a climate in which the proposals for planning devised by businessmen and their organisations would receive serious consideration.

Generally, business planners couched their proposals in the rhetoric of 'welfare capitalism' and in terms of furthering, the 'national' rather than the 'business' interest. The planners accepted that business must take responsibility for the national welfare in a positive rather than an incidental fashion; according to the spokesman, they afforded government a greater or lesser regulatory role; they proposed pension and

54. C.A. Norman, 'Industrial Fundamentals', Journal of Engineering Education 22 (March, 1932): 539.

insurance schemes; accepted the need for a minimum wage and, most significant in terms of 'traditional' business ideals, they disavowed laissez-faire by severely censuring the rampant speculation of the 1920s and advocating the 'balancing' of production and consumption.

Central to these proposals was some modification of the antitrust statutes, for it was reasoned that if business was to serve social ends and secure benefits for the nation as a whole, it should be allowed to combine under the aegis of trade associations. These associations would determine production quotas, 'fair' prices, the pooling of resources and technical expertise, and institute the uniform standards essential for any reform of labour's conditions of work and remuneration. The balancing of production and consumption and the elimination of 'cutthroat' competition would promote fairer wages and prices and contribute to industrial stability.

No other plan of any description received so much attention and elicited such comment as did the 'Swope Plan'. The boldness of the proposal impressed both The New York Times and Collier's, which reflected on the significance of a scheme which would have been construed as dangerously "radical" and "socialistic" in the recent American past.<sup>55</sup> The plan had both its critics and partisans. The editors of The Washington Post questioned Swope's construction of 'the public interest' and feared the development of a vast government bureaucracy if his proposal was adopted. Norman Thomas described the plan as "a sickening mixture of platitudes and blah" which constituted a drift towards "an American version of Fascism". On the other hand, Columbia University president, Nicholas Murray Butler could "rejoice" at the appearance of a specific and inspiring proposal after such widespread discussion of the issues involved,

55. New York Times, 18 October, 1931. Collier's 88 (24 October, 1931): 54. Ibid., 88 (7 November, 1931): 58.

and Forum magazine was so impressed with the insurance facets of Swope's plan that the management proposed to test these aspects on its own employees.<sup>56</sup> The frequency with which Swope was invited to appear before congressional committees attests to the political interest that his plan aroused and the proposal served as a basis for at least one legislative measure to stabilise employment - Rep. David J. Lewis's bill of 1932.<sup>57</sup>

The plan's author was the progressive president of General Electric. Swope's liberal credentials were established before the Great War and were confirmed in the 1920s with the enlightened industrial relations policies he promoted at G.E.<sup>58</sup> Swope was a proponent of 'welfare capitalism'. During the decade he introduced schemes for employee participation in company decision-making through works councils, to give workers the opportunity to purchase company stock, to improve the quality of adult education by subsidising the Union College, Schenectady, and in 1925 he proposed an unemployment insurance scheme in which employer and employee contributed jointly. Swope also participated in national efforts to minimise waste in industry, was instrumental in the creation of a trade association for the electrical industry in 1926 - the National Electrical Manufacturers' Association - and encouraged contacts between his own works' councils and the American Federation of Labor.<sup>59</sup>

56. Washington Post, 20 September, 1931. New York Times, 5 October, 1931. Nicholas Murray Butler to Gerard Swope, 17 September, 1931. Butler MSS: Swope, Mr. and Mrs. Gerard File. Forum 86 (November, 1931): 257. George F. Havell, 'Unemployment Insurance: A Plan in Actual Operation', Ibid., 87 (April, 1932): 220-221.

57. Hearings, Legalizing Worker's Right to Work, op.cit., 10.

58. David Loth, Swope of G.E. (New York, 1958): chaps. 9-12.

59. Gerard Swope Special MS: 62; 70; 79; 85-89. Oral History Related Papers, Columbia University.

Swope maintained close contact with national political leaders during the depression and cooperated with the efforts of government agencies to promote recovery. He had at least two conferences with President Hoover, in March and April, 1930, and kept the President informed of measures adopted by G.E. to stabilise production and ameliorate underemployment.<sup>60</sup> Swope had a "great admiration" for Hoover, but as an engineer and Secretary of Commerce rather than as chief executive where his political ineptitude was a distinct liability. "I thought he was a fine example of the best type of public servant," Swope recounted, "but as President and dealing with Congress ... was not at all congenial to his taste."<sup>61</sup> Furthermore, Hoover's programme for inducing recovery was limited. The programme that emerged from the White House conferences of 1929 had accomplished "much work of a constructive nature". However, by October 1930, Swope judged that Hoover's efforts were inadequate and in conference with the President, urged him to prepare for the coming winter by sponsoring a comprehensive public works programme to relieve unemployment. In a memorandum to Hoover of 2 October, 1930, which Swope believed in retrospect to anticipate the New Deal's Public Works Administration, he advised the President to call a special session of Congress which would be asked to approve a billion-dollar bond issue to be sold through a patriotic campaign on the lines of the Liberty Bond issues of the Great War. The proceedings from the bonds sale would be offered to localities which agreed to match federal funds and projects would be undertaken such as school, housing, hospital and road construction.<sup>62</sup>

60. Gerard Swope to Herbert Hoover, 20 June, 1930. Pres. Box 334 File, Unemployment Correspondence, H.H.L. Gerard Swope to Herbert Hoover, 10 December, 1930. Ibid., Box 335 File, Unemployment Correspondence.

61. Swope Special MS: 101.

62. Gerard Swope to Herbert Hoover, 2 October, 1930. Pres. Box 335 File, Unemployment Correspondence, H.H.L.

Swope also cooperated with P.E.C.E., not only as a public speaker but in giving the organisation's ideas practical application at G.E. In April 1931, the company introduced the 'work-sharing' principle, reducing the working week from six days of forty-eight hours to five days of forty hours, and in October, proposed to selectively guarantee a certain minimum of employment for a six month period, employees not receiving less than the equivalent of one-half their average weekly earnings for full time. Actually, Swope was "very thankful" when the guarantee period expired for "this was too ambitious a plan for any company to undertake".<sup>63</sup> G.E.'s most publicised initiative during the depression was the introduction of unemployment insurance in 1930. Initially rejected by company employees in 1925, Swope's proposals were adopted by a majority of over 90% of the work-force in 1930. The insurance programme, funded by equal contributions from employer and employee, remained in operation until 1936 when the Federal Unemployment Insurance programme went into effect. During its operational period over \$7 million was collected, some \$4 million of which was paid out in benefits and \$1 million utilised as loans to employees.<sup>64</sup>

63. Swope Special MS: 106-107; 122; 132-134. However, journalist, M.D. Pillars insinuated that General Electric was not the model company behind its public facade. He charged that the company made provision for employees' holiday pay by making deductions in wages throughout the rest of the year. However, when the vacation period arrived some department heads demanded that their workers take a shorter vacation or risk dismissal. In this way, the company could achieve 'free time' from its work-force. M.D. Pillars to Hugo L. Black, 21 April, 1933. Hugo L. Black MSS: Box 159 Library of Congress.
64. Swope Special MS: 85; 106. Extract from 'The Works News', 20 June, 1930, in Ibid., 102-105. Gerard Swope, 'Management Cooperation with Workers for Economic Welfare', The Annals 154 (March, 1931): 131-137. U.S. Congress, Senate, Select Committee on Unemployment Insurance, Hearings on S. Res. 483, Unemployment Insurance, 72nd Congress First Session, 1931: 25-51. Gerard Swope, 'Employment: Assurance and Insurance', in Charles F. Roos (ed.), Stabilization of Employment (Bloomington, 1933): 117-129.

Swope's accomplishments brought him to the notice of New York State Governor, Franklin D. Roosevelt. State Industrial Commissioner, Frances Perkins described G.E. unemployment policies as "industrial statesmanship of the highest order" and welcomed Swope's cooperation with the State's Stabilization Committee in publicising his ideas to other New York employers.<sup>65</sup> Roosevelt invited Swope to head the State's Temporary Emergency Relief Administration, but commitments to his company obliged Swope to decline. Nevertheless, Swope remained in contact with Roosevelt, conferring with him after March 1933 and assisting in the development of the administration's industrial recovery bill.<sup>66</sup>

Swope's involvement in public affairs became most pronounced in 1931 when he revealed his plan for the stabilisation of business and employment. The inspiration came to Swope early in the year while vacationing in Arizona and mulling over "plans that had been going through my mind for some time". During the summer of 1931 Swope systematised his ideas by incorporating aspects in his various speeches and seeking the opinion of respected associates as to the feasibility of the plan. He worked most closely with Owen D. Young on the proposal, although he consulted both Felix Frankfurter and Newton D. Baker. Frankfurter regarded the plan as a "public service" which would serve as a focus for discussion but suggested that its constitutional implications required extensive consideration. Baker felt that the proposal was "too radical".<sup>67</sup> Despite these reservations, Swope decided to make the plan public in September 1931.

65. New York Times, 21 June, 19 July, 1930.

66. Swope Special MS: 128-129; 142-144.

67. Ibid., 123. Hearings, Establishment of a National Economic Council, op.cit., 300. New York Times, 7 May, 12 June, 1931. Gerard Swope to Felix Frankfurter, 17 June, 11 September, 1931. Felix Frankfurter to Gerard Swope, 24 July, 20 September, 1931. Felix Frankfurter MSS: Box 106 File 002219, Library of Congress.

Swope formally launched his plan in an address at the annual dinner of the National Electrical Manufacturers' Association on 16 September, 1931. The plan, described by The New York Times as a "new constitution for industry", contained three major objectives: the stabilisation of production and consumption, the minimising of unemployment and the solution of the problem of security for the worker.

The securing of the first two objectives were interrelated and reflected Swope's sensitivity to 'cutthroat' competition, its pernicious effects upon industry and his commitment to the 'underconsumptionist' theory of the causes of the depression. By resolving the problems of 'balance' and 'unfair' competition, industry would stabilise and employment would be ensured automatically. Under Swope's scheme trade associations would be instrumental in attaining these goals by achieving "parity" between domestic corporations conducting domestic business. All companies engaged in interstate commerce and employing a work-force of over fifty would be eligible to join a trade association which would outline trade practices, business ethics, methods of standard accounting and cost practice and collect and distribute information on the volume of production, inventories of merchandise on hand, standardisation of products and stabilisation of prices. The associations would also deal with "all matters which may arise from time to time relating to the growth and development of industry and commerce in order to promote stabilization of employment and give the best service to the public". Membership in the trade associations would be mandatory after a three year period following the plan's adoption.

The stabilisation of industry through trade associations was one feature of attaining a balance between production and consumption. To achieve this balance at a high level, the problem of employee security had to be surmounted. As Swope expressed it:

Consumption is by the mass of the population, not the few and the great mass of the population is made up of wage earners and their dependents. That they may be able to buy and satisfy their needs they must have not only adequate incomes, but must be sufficiently assured of the future to feel that they are safe in spending their money. The psychology of fear must be removed ...

To accomplish this goal, Swope borrowed the General Electric model and recommended in his plan the mutual participation of employers and employees in the establishment of life and disability pension and unemployment insurance schemes in each branch of industry. To preserve industrial "parity" these plans would be conducted on a national basis and supervised by trade associations in each sector. Contributions would be made on an equal basis - dollar for dollar - and the scheme's administration would be shared jointly by management and workers.

However, the most "revolutionary feature" of the Swope Plan, as The New York Times termed it, was Swope's proposal for the establishment of a federal supervisory body, which would be, in effect a quid pro quo for the modification of the antitrust statutes and the government's permission for trade associations to act openly. Suggesting that an appropriate agency might be the Federal Trade Commission or a bureau of the Department of Commerce, Swope proposed that the rules and practices of trade associations would be submitted to it for scrutiny, and the agency would then test their soundness as a "social principle". Further safeguarding of the public interest would be assured by provision for the trade associations to file with the federal supervisory body regular financial statements prepared uniformly by the associations' administrative boards.

Swope's principal concern in making this substantial concession to governmental authority in the economic sphere was to allow industry to introduce a programme of economic reform which would forestall any future legislation of graver consequences to the "fundamental structure of American



business". The alternatives to industry assuming the initiative were that either the states would introduce regulatory legislation, lacking in uniformity and "imposing varying burdens" upon industry, or the Federal Government might decide to provide for employee security through use of its taxation power which "has no economic restraints". To reporters Swope compared his plan to a marriage: "For the sake of its benefits it is necessary to surrender certain individual rights."<sup>68</sup>

Seconding Swope's proposals, Owen D. Young contended that the plan was a frank recognition of the magnitude of the economic crisis and an appreciation of the need for positive and innovatory responses.<sup>69</sup> Economic planning on a firm-by-firm basis had proved inadequate to achieve stability and it was necessary that individual efforts be coordinated for them to be successful. "We can retain in this country unorganised individual planning and operation, but, if we do," Young asserted, "its action will necessarily at times be chaotic, and we shall, as a result, pay the economic penalty of that disorder, such as we are paying now." Young expressed no fears about the extent of government regulation provided by the plan. Federal regulation was essential since the authority of control needed to be co-extensive with the industrial units to be controlled and to achieve a stable prosperity through economic planning, the business community would have to sacrifice a measure of individual

68. Commercial and Financial Chronicle 133 (19 September, 1931): 1819-1821. New York Times, 17 September, 1931. Chicago Daily Tribune, 20 September, 1931.

69. There was some speculation that the announcement of the Swope Plan was designed to create a boom for Young to secure the Democratic presidential nomination in 1932. Young withdrew his support for the plan in 1932 when he felt that it might embarrass the Democratic Party in an election year. New York Herald Tribune, 17 September, 1931. Edward Eyre Hunt to Matthew F. Boyd, 23 May, 1932. Edward Eyre Hunt MSS: Box 1 File 1932 Correspondence. H.H.L.

freedom: "Like other things in this world, it demands its price."

Referring to his affiliations with the Democratic Party and the business community, Young challenged his audience to consider these sentiments that ran contrary to the tenets of states-rights and individualism. "If this be treason," he declared, "make the most of it."<sup>70</sup>

Business Week heralded Swope's speech as "an act of true business statesmanship" and endorsed his recommendations as indispensable to any long-term programme of reconstruction and stabilisation. The journal stressed that the plan might have a short-term significance also, through restoring confidence if it was endorsed by other industrialists.<sup>71</sup>

Forbes welcomed the proposal as an antidote to the dangerous "delusion" that inaction would assist recovery. "The palpable truth is that some sort of action will be taken by somebody," the journal advised. "More bluntly, if industry remains idle and indifferent, steps will be taken by the politicians."<sup>72</sup>

In fact, the plan's reception within the business community was mixed, generating as much controversy as it did interest. Unreserved enthusiasm was accompanied by unrestrained scepticism; cautious approval was paralleled by reservations about certain features of the plan. Coal Age captured this ambivalence in its editorial column. The journal paid tribute to Swope's "vision" and "sincerity" and described the plan as being "in refreshing contrast to the Polyanna generalities cascading from the lips of too many spokesmen seeking to explain how the world may get rid of the debris of the wreck of 'the new era' and restore security to a nerve-shattered mankind." However, the editors recognised that the

70. Commercial and Financial Chronicle 133 (19 September, 1931): 1819.

71. Business Week, 23, 30 September, 1931: 15; 44.

72. Forbes 28 (1 October, 1 December, 1931): 10; 11.

criteria that some would consider as strengths, others would identify as weaknesses. The plan, because it was so specific, would provoke controversial discussion.<sup>73</sup>

The Swope Plan prompted some industrial leaders to devise similar plans for their own industries and only the day after Swope delivered his address to the electrical manufacturers, Gen. W.W. Atterbury, president of the Pennsylvania Railroad, presented a hastily-drawn plan for the stabilisation of business and employment in the railroad industry.<sup>74</sup> This was followed by a plan composed by the National Retail Goods Association on 19 September, which expressed "high praise" for the Swope proposals. The retailers' plan called for closer coordination of trade associations, under the auspices of one central body, to foster the development of mutual consultation and planning, the utilisation of more scientific marketing and production procedures and the increased use of specifications and standards of merchandise.<sup>75</sup> Later, on 28 October, the American Institute of Steel Construction, after asserting that present business conditions had "created in most of us a firm belief in the existence of hell," proposed a plan, modeled on Swope's, which involved the adoption of more comprehensive codes of trade practices and agreements. "We are reaping the results of our bad practices," the Institute explained. The industry was "headed for destruction" unless it adopted protective measures against 'unfair' competition and other damaging trade practices.<sup>76</sup>

Considerable support for the Swope proposals was evident also in the proceedings of the National Conference on the Relation of Law and Business,

73. Coal Age 36 (October, 1931): 543.

74. New York Times, 18 September, 1931.

75. Ibid., 20 September, 1931.

76. Ibid., 29 October, 1931. J. George Frederick (ed.), The Swope Plan, (New York, 1931): 104-116.

held in New York during October. Industrialists, The New York Times reported, presented "with utmost frankness" their analyses of the operation of the antitrust laws and suggested how production might be coordinated with consumption, fair prices maintained for both producer and consumer, and how adequate wages for workers might be assured. Various industrialists echoed Swope's sentiments. Walker D. Hines, president of the Cotton Textile Institute, assured that industry did not wish to remove any prohibition against combinations "really" in restraint of trade, but that "arrangements to bring production in balance with demand [should] not be obstructed through a misconception of the law and of the Supreme Court decisions". One way to avoid such a "misconception", Cornelius F. Kelley, president of the Anaconda Copper Co. suggested, was to supercede the Sherman law by vesting in the Department of Commerce the authority "to protect business and the public".<sup>77</sup>

These favourable reactions were paralleled by more critical responses. Spokesmen for the business-affiliate groups were sceptical about the feasibility of the Swope Plan and stressed its dangerous implications for the business community. Educationalist, Wallace B. Donham entertained two objections to the proposal. In the first place, he believed that the planning mechanisms Swope provided were not comprehensive enough and ignored a 'holistic' approach by concentrating on the narrow, industry-perspective of the trade association rather than the broader planning scope of a national economic council. Second, Donham feared that Swope's concessions to federal supervision would result in an escalating government involvement in the planning process and the development of a powerful federal bureaucracy.<sup>78</sup> Trade association lawyers, Montague and Javits were

77. New York Times, 27 October, 1931.

78. Donham, Business Looks at the Unforeseen, op.cit., 176-183.

uncomfortable with certain of the plan's features. Compulsory membership of trade associations was objectionable, governmental "control" was undesirable and the plan's price-fixing aspects would be clearly illegal without a time-consuming constitutional amendment.<sup>79</sup> On the other hand, engineer, Ralph Flanders suggested that the plan did not go far enough in delegating government with the responsibility for conducting economic planning. Although he praised the plan as "finely conceived and intelligent and humanitarian in purpose", Flanders warned that business should not promise results which were beyond its capability to achieve.<sup>80</sup>

Generally, three principal objections to the plan were voiced by business spokesmen: that it would begin a trend toward the "socialization" of business; that it would compromise independent decision-making in private enterprise and that industry was not well-enough experienced with the trade association form for it to be an effective agent of stabilisation. Steel and Textile World gave qualified endorsement to the plan for both perceived dangerous aspects of it. The textile journal feared that the plan amounted practically to the "delivery of the control of business into the hands of the government". Furthermore, it might abet an undesirable trend towards monopoly. Steel suggested that the plan required further study to ascertain whether it contained any "elements of danger" and proffered that "it is unwise for anyone to put the stamp of full approval on the plan at this early date". On first reading, the journal expressed concern about its "paternalistic" emphasis, the role provided for government and the threat that this posed to individual initiative and motivation.<sup>81</sup>

79. Hearings, Establishment of a National Economic Council, op.cit., 546-547. Javits, Business and the Public Interest, op.cit., 60-61. Frederick (ed.), The Swope Plan, op.cit., 147-150.

80. Hearings, Establishment of a National Economic Council, op.cit., 249.

81. Textile World 80 (3 October, 1931): 19; 22-23; 29. Steel 89 (24 September, 1931): 26.

In congressional testimony, individual operators added the further objection that trade associations were of limited value in inducing stabilization. Neither James A. Farrell, president of U.S. Steel, nor textile operator, Henry P. Kendall were confident of their potential. Experience in both industries had demonstrated the limited value of trade associations in promoting successful cooperation.<sup>82</sup> Printers' Ink claimed that the electrical industry was exceptional in its experience with the trade association form and felt that few other industries were equally practiced to implement the Swope Plan in their sectors and "sweep aside petty competitive jealousies".<sup>83</sup> John E. Edgerton, president of the National Association of Manufacturers (N.A.M.), while taking his "hat off" to Swope for "the courage of his able initiative", challenged that the plan was too selective in application. By restricting its operation to employers of fifty or more workers, Swope had ignored the great majority of employers with work-forces of less than fifty, and hence, the plan did not cover the bulk of wage-earners. "Any plan," Edgerton commented, "which does not embrace in its application and directly benefit all of the people who are employed in America, will not be a thoroughly sound and saving plan."<sup>84</sup>

It is understandable that Swope's proposal should have been met with both criticism and scepticism within the business community, for it was the first plan by a representative of industry during the depression to receive prominent national publicity. Not only did the Swope Plan mark

82. Hearings, Establishment of a National Economic Council, op.cit., 344-345; 405.

83. Printers' Ink 157 (1 October, 1931): 53-54.

84. New York Times, 20 September, 1933. Frederick (ed.), The Swope Plan, op.cit., 49-53. In a later amendment to his plan Swope incorporated revisions which met some of these criticisms. See Gerard Swope, 'Stabilization of Industry', op.cit., 103-112.

a modification of the traditional business theory of individualism by accepting industrial coordination and government regulation, but by avoiding generalities and concentrating on specific suggestions Swope invited criticism. Nevertheless, even the critics were prepared to approve Swope's general purpose, in terms of his espousal of economic planning. Their principal objections were directed at precise details of the plan. Textile World regarded the proposal as significant because of the lack of alternatives and suggested that it become the basis of experiment in one industry. Printers' Ink, while sceptical of the immediate value of the trade association approach, felt the mechanism had long-term potential and that the Swope Plan offered "a lighthouse to guide business off the rocks of recurrent depressions". John Edgerton was confident that Swope had pointed toward "the general direction" in which business must evolve to escape "more serious consequences of social discontent". The tone of the proposal was more meaningful and pertinent than its substance and the N.A.M. president suggested that "if industrial employers will get the spirit of this proposal they will work out such changes in its substance as will make it adaptable to the requirements of the general situation". Finally, Steel advised that "the general scope of the proposal is so directly in line with what is needed to stabilize business and its possibilities are so alluring that it should be given the widest possible scrutiny and thoughtful consideration".<sup>85</sup> In sum, while spokesmen for the business community were uneasy about certain features of Swope's plan, many accepted its significance as a necessary compromise between stand-pat individualism and extensive government regulation of industry.<sup>86</sup>

85. Textile World 80 (3 October, 1931): 19. Printers' Ink 157 (1 October, 1931): 56. Frederick (ed.), The Swope Plan, op.cit., 53. Steel 89, (24 September, 1931): 26.

86. An aspect of the debate on the Swope Plan which was recognised by Magnus Alexander, president of the National Industrial Conference Board. New York Times, 20 September, 1931.

The Chamber of Commerce, through its president, Silas H. Strawn, regarded the Swope Plan as "an excellent one". "In fact," Strawn remarked, "it is entirely along the lines of one which the United States Chamber of Commerce has been working on."<sup>87</sup> This latter plan was finally reported out of the Chamber's Committee on the Continuity of Business and Employment in October 1931, and in December was submitted to the organisation's membership, in the form of a referendum, to determine whether it should be adopted as official policy.

The problems of stabilising business and employment were broached by spokesmen during the Chamber's first conference of the depression held in April and May 1930. President William Butterworth stressed the theme of "industrial development from within" whereby the individual firm could contribute to stabilisation by levelling off "peaks and valleys" in sales, production and employment through forward planning. Chairman, Julius H. Barnes stressed the social benefits of an "intelligent and devoted direction of industry" and alluded to "a new sense of responsibility" amongst some executives to provide employee security against the vagaries of the business cycle.<sup>88</sup> In terms of industrial stabilisation and planning the focus of the 1930 Convention was on the contribution of the individual firm, a posture which conformed to the current emphasis of Hoover's doctrine of voluntary associationism, and which reflected the Chamber's cooperation with the President's recovery programme. During 1931, the Chamber's attitude, however, to planning became more distinct, with the emphasis on the virtues of co-ordinated action. Barnes had become convinced that while independent planning was "fruitful of results", it was limited in scope and that cooperative action would be more effective. For a later president, Henry I. Harriman, independent planning had been

87. Ibid., 18 September, 1931.

88. Chamber of Commerce, Minutes, 18th Annual Meeting, April-May 1930: 42; 57-58. Chamber of Commerce Library.



valuable in ameliorating unemployment, but was too confined to achieve more substantial goals. "Group planning and national planning of business and industry is essential for our continued prosperity," Harriman wrote in 1932.<sup>89</sup>

Planning was desirable to attain a flexible 'balance' between production and consumption. Spokesmen for the Chamber isolated the causes of the depression in the imbalances between the two which had occurred in the 1920s. The availability of credit for investment together with the increased productivity wrought by mechanisation in industry had resulted in levels of manufacturing output which available markets were unable to absorb. Accordingly, production either had to be adjusted downward to avoid excess production, competition and declining prices, or consumption needed to be stimulated to secure the same 'balance'. President Silas H. Strawn (1931-1932) was a proponent of the former approach, contending that the interests of industry no longer coincided with the view that "the consumer is entitled to buy cheaply and to exhaust his whims and fancies by possessing the new and novel things which invention may create". The more liberal approach was embodied by Harriman. Asked by a congressional committee why millions of American families were unable to approach an acceptable standard of living even before the depression, Harriman replied that the general inadequacy of the system of distribution, and particularly, low wages were culpable.<sup>90</sup> Whichever approach was given emphasis, adjustment through planning was considered vital, and the Chamber endorsed

89. Julius H. Barnes, 'Business Looks at Unemployment', Atlantic Monthly 148 (August 1931): 244-245. Henry I. Harriman, The Road to Business Stability (Washington, D.C., 1932): 5; 9.

90. Silas H. Strawn, 'Should Our Anti-Trust Laws be Amended?', Address at the annual meeting of the New York State Bar Association, 16 January, 1931. Silas H. Strawn File: Chamber Library. Hearings, Establishment of a National Economic Council, op.cit., 178. Address delivered at the 26th Annual Convention of the Association of Life Insurance Presidents, 9 December, 1932: 1-5. Henry I. Harriman File: Chamber Library.

cooperative activity through trade associations to secure the necessary 'balance'. Reform of the antitrust laws was essential in this respect, for as Harriman explained: "By tying the hands of business they prevent the achievement of collective purposes detrimental to the public interest, but they just as effectively prevent the achievement of purposes of advantage to the public."<sup>91</sup>

Chamber spokesmen were firmly united in opposition to overt government intervention in the affairs of industry. Julius Barnes believed that "economics and politics do not mix" and while he could condone a "voluntary alliance" for expressed purposes, feared a "forcible union which would make for the peace of mind of neither". Industry must remain master in its own house. Similarly, Henry Harriman disassociated his planning vision from "governmental planning groups with their bureaucratic tendencies or planning boards with their authority to enforce the will of the planning organization". Rather he favoured "planning groups" organised in each trade and industry which were appointed, maintained and supported by business and reliant on the wisdom of their recommendations for their enforcement. Harriman shared "the feeling that conservative planning should be had".<sup>92</sup>

The deterioration of economic conditions prompted the Chamber's Board of Directors in February 1931 to authorise the appointment of a special Committee on Continuity of Business and Employment. The Committee's brief was to investigate the feasibility of employment stabilisation, employment assurance and unemployment insurance and establish contact with industries concerned with these issues. The Committee's authority was

91. Harriman, *The Road to Business Stability*, op.cit., 8. See also Barnes, 'Business Looks at Unemployment', op.cit., 9. Strawn, 'Should our Anti-Trust Laws be Amended?', op.cit., 1-10.

92. Julius H. Barnes, 'Government and Business', Harvard Business Review 10 (July, 1932): 412-413; 419. Harriman, *The Road to Business Stability*, op.cit., 9. Hearings, *Establishment of a National Economic Council*, op.cit., 164. Robert Smith, 'How Business Builds Its Platform', Nation's Business 19 (June, 1931): 28.

confirmed at the Chamber's annual meeting in May. According to the Committee's chairman, Harriman, the working group developed from "a very strong belief on the part of the Chamber of Commerce that out of the present business depression there should grow good as well as evil, and that we should learn the lessons of depression, and that we should attempt to set up certain fundamental principles, which, if not avoiding future depressions, would at least mitigate the depths of the swings and the height of the swings that preceded the depths". Julius Barnes described the Committee's function as "a first step in marshalling the forces of business" and a supplement to the efforts of individual firms to stabilise business conditions. . The Committee met seven or eight times, cooperating with trade association representatives and polling some two hundred of them for views and suggestions. Its report was finalised in October, and submitted to the Chamber directors. In November its recommendations were forwarded to the membership for approval in the form of a referendum.<sup>93</sup>

The Report was devoted to three considerations: the causes of the depression; long-term programmes which could prevent a recurrence and short-term expedients to be immediately applied to ameliorate prevailing conditions. As to the first, the Committee considered that the Great War had been the catalyst for economic maladjustment, principally in the agricultural sector which had acted as a drag upon the economy during the 1920s and continued to do so. Speculation in securities was a contributory factor, not only in the sense of unrealistic stock values but because rising stocks had encouraged the extension of banking credit

93. Chamber of Commerce, Press Release, 9 February, 1931. R.G. 73 Series 26, Records of the Publicity Section: Industry. New York Times, 9 February, 2 April, 2 May, 6 August, 3, 4, 5 October, 1931. Nation's Business 19 (November, 1931): 56; 58. Hearings, Establishment of a National Economic Council, op.cit., 161-162. Chamber of Commerce, Referendum No. 58: On the Report of the Special Committee on Continuity of Business and Employment (Washington, D.C., 1931): 1.

to industry which had resulted in overproduction. The Committee was careful to exculpate technological developments in industry, minimising the influence of technological unemployment and advancing that technological developments had secured an improved standard of living before 1929. In large part, the Committee's depression diagnosis conformed to its contention that remedies could only be found in collective industrial action. The economic crisis was the result of a failure to regulate the complex inter-relationships of a modern economy, and any attempt to stabilise business conditions would involve the adoption of broad perspectives.

In its short and long-term recommendations, the Committee stressed coordinated action. Much could be accomplished immediately by coordinated business action on the lines of the Rochester experiment as well as in the individual plant. The Committee endorsed methods of ameliorating unemployment advocated by P.E.C.E. such as work-sharing and non-productive employment and suggested that local chambers should take the initiative in emulating the Rochester experiment by establishing employment centres on urban and regional bases. Outside the area of private initiative, the national government should "proceed conservatively" with needed public works and its example should be followed on State and local levels.

The Committee's report did not restrict itself to boosting government efforts at employment stabilisation. According to Silas Strawn, the Committee was determined to broaden the scope of individual stabilisation projects presently being carried out in industry, and the Committee's "long-time measures" reflected its commitment to remedial action through business initiative and organisation. The Committee recognised that to attain a 'balance' between production and consumption, a scrupulous regard for traditional business freedoms would have to be waived, but that the gravity of the depression warranted disregard for established credos.

"A freedom of action which might have been justified in the relatively simple life of the last century cannot be tolerated today," the Committee stated, "because the unwise action of one individual may adversely affect the lives of thousands. We have left the period of extreme individualism and are living in a period in which national economy must be recognized as the controlling factor."

A mature industrial vision demanded that the 'tooth and claw' struggle for markets be transcended by cooperation and the division of markets upon an equitable basis. To achieve this the Report recommended that the anti-trust laws be amended to allow advance approval by a government agency for contracts between business organisations otherwise in restraint of trade and which would confer immunity from criminal prosecution. Trade associations would be instrumental in effecting these agreements and would be central to planning. "Business prosperity and employment will be best maintained by an intelligently planned business structure which affords a fair opportunity to make a reasonable profit through productive activities," the Report contended. Business planning through trade associations would be supplemented by the establishment of a national economic council, advisory in nature, adequately financed and staffed by men of the highest ability and character and representing all constituencies of industry. By recommending the establishment of a central council, the Committee recognised that "planning by individual concerns, even by whole industries, may not suffice to remedy such a severe lack of adjustment between production and consumption as we are experiencing". The council would deliberate on such economic problems which exceeded industrial lines and trade association competence: production requirements to meet a reasonable national standard of living, the need to balance production and consumption for the economy as a whole, levels of wages, foreign trade and agricultural policy.

The Report also addressed itself to the problem of providing workers' security. Impressed by the "thoughtful" and "far-reaching" proposals of Gerard Swope in this direction, the Chamber Report matched the Swope Plan for sickness, accident, old age and unemployment insurance and declared for shorter hours in industry.<sup>94</sup> Addressing the American Economic Association on the Chamber's Report, Henry Harriman contended that it was a recognition of "the duty which business owes to the community to help in bringing about normal and stable conditions". It was also an assumption of responsibility by business to mitigate the suffering and distress caused by unemployment and to afford workers maximum security of employment with equitable remuneration.<sup>95</sup>

It is difficult to quantify the general business commitment to the programme of any 'spokesman' organisation such as the Chamber since business leadership may not represent accurately the general sentiments of its rank-and-file. However, the Report of the Committee on Continuity of Business and Employment affords an opportunity to determine the degree to which leadership and grass-roots concurred on policy. The Committee's Report was submitted to the Chamber's membership in the form of a referendum, the precise results of which were communicated by Silas Strawn to President Hoover and Secretary of Commerce Lamont on 18 December, 1931.<sup>96</sup>

The referendum was conducted in two parts. Individual and associate members expressed their opinions to their regional organisations and those organisations then forwarded the results to the Chamber's national headquarters in Washington, D.C. Final results were expressed in the form of

94. Ibid., 4; 6; 8; 10; 12; 16; 18; 20; 24-26; 27-41. New York Times, 28 June, 1931.

95. Henry I. Harriman, 'The Stabilization of Business and Employment', American Economic Review 22 (March, 1932): 63, (Supp.).

96. Silas H. Strawn to Herbert Hoover, 18 December, 1931. Pres: Box 96 File, Chamber of Commerce of the United States, 1931. H.H.L. Silas H. Strawn to Robert P. Lamont, 18 December, 1931. R.G. 40: File 92001/2. See Appendix for referendum results.

affiliate organisation's responses, rather than the total individual membership polled. For the Committee's Report to become Chamber policy, in whole or in part, the vote on a specific issue needed to constitute at least one-third of the total voting strength and of this, two-thirds had to be affirmative and representative of at least twenty states. Each affiliate possessed one vote and one additional for each two hundred members over the number of twenty-five. No affiliate was entitled to more than ten votes.

Ten proposals were incorporated in the referendum, pursuant to the recommendations of the Committee. The first three were related to anti-trust law amendment, two referred to the establishment of a national economic council and the role of trade associations, and the remainder applied to individual firm planning and the provision of workers' security. In the event, each proposal received the requisite two-thirds endorsement for their adoption as official policy by the Chamber.

The highest individual vote recorded was on the resolution to modify the antitrust laws to permit agreements which would 'balance' production and consumption. Here the response was 89% in favour. A second proposal providing for government supervision of these agreements "in the public interest" was welcomed less but still received a substantial majority of 77% favourable. The third proposal, providing for sanction of agreements by a government authority received a 90% assent.

The establishment of a national economic council was endorsed by 81% of the Chamber's voting membership and 90% confirmed that trade associations should act as "economic councils" within their industrial spheres. The P.E.C.E. approach to the amelioration of unemployment on an individual and local basis was endorsed by overwhelming majorities of 95% and hostility to intervention by the Federal Government to provide unemployment relief is evident in the 93% vote favouring continued

commitment by private agencies supplemented by State and local governments. As for the establishment of unemployment reserves by industry, more preferred the voluntary, individual approach than the uniform and more compulsory alternative through trade associations. However, the difference was insubstantial, being 81% and 77% respectively in favour.

Certain generalisations are possible from the referendum evidence. First, the data reveals considerable support for proposals associated with P.E.C.E. and a willingness to extend them. Second, majorities were more emphatic when the proposals avoided government regulation as a precondition for implementation, and this concern about government intervention was explicitly demonstrated in the response to federal relief commitments. Further confirmation of this tendency is provided by the fact that although a broad consensus was evident in the sentiment for antitrust modification and while 90% favoured confirmation and sanction by a government authority of trade practices, fewer - 77% - favoured ongoing regulation of such agreements by the same agency. As such, it might appear that the results of the referendum mark no departure from traditional business demands for antitrust law relaxation and signify a renewed vote of confidence in Hoover's 'voluntarism'. The relative lack of enthusiasm for the establishment of unemployment reserves may also add weight to an argument that Chamber members' commitment to such 'advanced' positions was less than wholehearted.

However, the significance of the referendum would seem to lie in the fact that over 75% of the polled membership supported the establishment of unemployment reserves, even if uniformly applied through trade associations and were reconciled to government supervision in return for antitrust relaxation. Furthermore, 81% were favourable to a national economic council and more, 90%, could endorse planning, on an industry-by-industry basis through trade associations. It would thus seem that the commitment



of the membership of the largest representative business organisation to planning, 'social responsibility' and an acceptance of government regulation was not limited to progressive spokesmen such as Henry Harriman.

The affirmative vote committed the Chamber to the Committee's proposals. As President Harriman expressed the organisation's policy in 1932:

The Chamber approaches the question of the responsibilities of business itself in the establishment and maintenance of a more stable economic balance. It will promote business and industrial planning through trade associations and commercial organizations so as to mitigate the effects of unemployment and to prevent in the future, so far as possible, the spectacle of millions without work.<sup>97</sup>

Ralph Flanders described the Swope Plan and Chamber Report as "epoch-making" in their implications for economic planning. They demonstrated that broadscale planning was capable of realisation and suggested that "the impossible may yet be possible".<sup>98</sup> Business commitment to planning during the early years of the depression was inspired by the critical state of the economy, a sympathy for labour, anxiety about flagging business prestige and the possibility of overt government intervention in the economy. Business initiation of broadscale economic planning received impetus from constituent groups of the business community such as educationalists, lawyers and engineers but was given its most emphatic expression by Gerard Swope and the Chamber's Committee of 1931. The Chamber's referendum, albeit an imperfect gauge of business opinion, suggests an appreciable depth of sentiment for economic planning within the community. Inevitably, businessmen differed in their conceptions of the nature and function of planning and the acceptability of government involvement in the planning

97. Henry I. Harriman, Our Job for the Year Ahead: A program of action for the Chamber of Commerce of the United States as approved by its officers and Board of Directors (Washington, D.C., 1932).

98. Ralph E. Flanders, 'Limitations and Possibilities of Economic Planning', The Annals 162 (July, 1932): 30.

process. Nevertheless, by 1931 businessmen had become sceptical about the value of 'voluntary associationism' and had begun to consider economic planning in different perspectives. As for the mechanisms through which planning would be implemented, business organisations and affiliate groups still condoned planning on the basis of the individual firm and sympathy existed for a centralised approach through the establishment of an advisory national economic council. However, the method favoured by Swope and central to the Chamber's platform of 1931-1932 was planning through the aegis of trade associations, relieved of the restrictions of the antitrust laws. By the end of 1931 this approach had become pivotal to business's economic demands of government. The reasons for this preference are clear. Not only was antitrust revision a long-standing demand, but during the depression it could appeal to large producers who desired clarification of the laws' intent towards mergers, independent producers who wished for themselves the same advantages possessed by their more integrated counterparts, and 'sick' or disadvantaged industries which regarded coordination as a means of instilling stability into their stricken sectors. Moreover, this approach promised a measure of 'business self-government' and would pre-empt overt government intervention if business failed to take action itself to promote revival.

During the early phase of the depression a 'business position' was established on the modification of the antitrust laws, which had the influential support of businessmen's organisations and affiliate groups. Aside from the national Chamber, the American Bar Association, the National Association of Manufacturers and the National Civic Federation all supported clarification and their efforts were supplemented by those of individual spokesmen and industries. By 1932 the business position had a consistency and its proponents had the respectability and prestige which would wield influence

in the halls of Congress. Although the business community considered and participated in other forms of planning, whether on the basis of the individual firm or through a central council, by 1932 the trade association approach to planning would be in the ascendancy and business lobbies would seek to facilitate its implementation through congressional modification of the antitrust laws.

CHAPTER 4 PLANNING THROUGH CENTRAL DIRECTION: THE APPROACH OF  
ORGANISED LABOUR AND THE INTELLECTUALS

The paradox of poverty and plenty and the resolution of that anomaly provided the framework in which collectivist intellectuals and organised labour considered the economic crisis of the early depression. Both appreciated that the paradox of mass unemployment and distress in the world's most technologically-advanced state was not exclusively a product of the depression which had merely distorted existing imbalances. The scruples of a society committed to laissez-faire doctrines had not permitted technological advances to be utilised for socially-desirable ends. The principal concern of the United States, as Walter Lippmann saw it, was the "management of plenty" to secure stable economic growth and an equitable distribution of the wealth generated by the economy. Such an effort would require "experimentation" in applied economics and a transformation of attitudes towards established economic, political and social principles. Lippmann could not ensure that any adjustments would be easily accomplished but the "pressure of events" dictated such a reorientation of American values and institutions.<sup>1</sup>

'Management' could assume various forms and by 1931 collectivists and labour had become disillusioned with President Hoover's attempts to stabilise the American economy and regarded trade associationism with scepticism. Planning through a central agency which involved a prominent role for government appealed to the preconceptions of the collectivists and accorded with organised labour's departure from 'voluntarism' during the early years of the depression. Central planning recognised the interdependence of economic sectors and the need to coordinate their activities. Interdependence was "the warp of our

1. Lippmann, *Interpretations*, op.cit., 4.

economic and social fabrics", according to the A.F. of L. Executive Council. Business was an organism whose parts were so "intricately interrelated" that the consequences of dislocation in one area were automatically transmitted throughout the whole structure. The depression revealed the extent to which Americans had not appreciated the importance of interdependence and had exposed the "intolerable shortcomings" of existing institutions and practices. Although the machinery existed for national economic planning it would not be effective without the addition of "the spirit and method of coordination and authority to administer the policies".<sup>2</sup> A central agency would control such factors as investment, competition, prices and wages according to their overall influence and impose judicious standards throughout the economy. The role of government was essential since monetary and fiscal policy needed to be harnessed to industrial planning to give it maximum effect. Collectivists and labour spokesmen carefully considered the alternative methods of planning employed by President Hoover and advocated by the business community. However, by 1931 these had lost their credibility and a number of more radical planning programmes began to emerge which adopted a 'holistic' perspective on the economy.

Like other Americans, collectivists were slow to realise that the Stock Market crash was the trigger of a severe depression. Neither The New Republic nor The Nation sensed any connection and their responses to the decline of stock values was initially sanguine. Not until March 1930 did the former concede that the United States was experiencing "a genuine industrial depression".<sup>3</sup> Because they minimised the significance of the Crash, the liberal periodicals were the more disposed to

2. Proceedings, 50th Annual Convention, A.F. of L., 1930, op.cit., 47.  
Proceedings, 52nd Annual Convention, A.F. of L., 1932, op.cit., 32-35.

3. New Republic 62 (5 March, 1930): 58.

President Hoover's attempts to prevent the slide in stock values from influencing business activity. However, when the seriousness of the situation became apparent during 1930 they grew impatient with presidential policies.

Hoover aroused the expectations of collectivists after his calling of the White House conferences in November 1929. The President appeared as a proponent of central planning whose conference summons was a prelude to the establishment of a permanent national economic council. However, even at their most eulogistic, collectivists' enthusiasm was tempered by an awareness of the President's sympathies for, and reliance upon the business community which would influence any organisation created. The Nation advised that there were too few "progressive concerns" to accomplish business stabilisation, while The New Republic doubted that business alone could generate the necessary discipline amongst its members to maintain wages, endorse agreements on production, eliminate excessive competition and conserve natural resources. Nevertheless, Hoover's sentiments would dictate a "distinctly subordinate" role for politics in any planning agency created. He would defer to the fears of business about encroachment on its prerogatives by government, labour or impartial experts. The President's approach represented a "modernized Republicanism" which sought a compromise between individualism and collectivism but stopped well short of any "flexible and pervasive government control". However limited and unsatisfactory in itself, Hoover's initiative was welcome and crucial to the future of economic planning in the United States. "The historical role of Mr. Hoover is apparently to try the experiment of seeing what business can do when given the steering wheel," The New Republic editorialised. "Mr. Hoover insists that there should be a steering wheel, but he will also let business do the driving." Whether or not the experiment was successful

it would indicate the direction in which planning was to evolve. Its success would ensure that the business community remained the principal initiatory agency in planning, as Hoover contemplated; its failure would bring the Federal Government to the forefront, which collectivists preferred and suspected to be inevitable.<sup>4</sup>

This ambivalent attitude to Hoover continued during the early months of 1930, but most optimism had dissipated by late June. In March, the philosopher John Dewey suggested that the business conferences had been symptomatic of "our national habit of planlessness ... of locking the barn-door after the horse has been stolen". Dewey questioned whether the President's action represented merely a gesture to maintain public confidence in the government's effectiveness or constituted "the beginning of a real application of the engineering mind to social life in its economic phase".<sup>5</sup> As late as May, The New Republic remained optimistic about Hoover's intentions and welcomed the President's speech before the Chamber of Commerce in which he proposed the establishment of a national organisation to recommend measures for industrial stabilisation. Hoover's announcement had introduced an unprecedented realism into presidential statements on economic policy. "Whatever one's disagreement in detail, the fact that a President has made such a speech is something of great significance in our history," the journal contended.<sup>6</sup> A month later, however, in reviewing the extent to which Hoover's sentiments had been implemented as government policy, the journal admitted that its early optimism had been ill-founded. Subsequent executive inaction

4. Nation 129 (4 December, 1929): 651-652. New Republic 61 (11 December, 1929): 56.

5. John Dewey, 'Capitalistic or Public Socialism?', Ibid., 62 (5 March, 1930): 66.

6. Ibid., 62 (14 May, 1930): 340.

suggested that the conference initiative was "not only a gesture, but a gesture which represented little reality".<sup>7</sup> By the end of 1930, the Hoover approach to planning no longer commanded the respect of the collectivists.

Rexford Tugwell believed that the President's response to the depression was limited by a dogmatic adherence to a fixed set of ideas to which he had long subscribed. In particular, four ideas were dominant: that the economic system should be a composite of privately-owned and independently-operated business units; this independence should be encouraged as a keystone of the national character and economic progress; the businessman was the agent of national prosperity through competition and risk-taking and when government intervened in the economy it should do so to protect the businessman and competition from "monopolistic domination". Tugwell ridiculed the portrayal of Hoover as the 'Great Engineer' since an emotional obsession with principles rather than a dispassionate regard for statistics and facts governed his depression policies. The President rejected potentially successful alternative policies if they did not conform to his values. "That his economics is theological in form and origin there can be little question," Tugwell reflected. Hoover's intentions towards planning would be compromised by his alertness to the threat from "competing ideas", especially those emanating from the Soviet Union.<sup>8</sup> This inflexibility was particularly unfortunate given the shallowness of the 'confidence thesis' on which the President based much of his policy. Even if optimistic presidential proclamations did manage to result in resumed production, Tugwell doubted that the demand would exist to consume the enlarged output

7. Ibid., 63 (25 June, 13 August, 1930): 138; 354-356.

8. Rexford G. Tugwell, 'An Engineer and the Price System: Mr. Hoover's Economic Policy', Manuscript, 1932. Tugwell MSS: Box 1.



at profitable prices. A more comprehensive approach was necessary which paid as much attention to consumers' purchasing power as it did to entrepreneurs' expectations.<sup>9</sup>

Stuart Chase characterised Hoover's 'business confidence' approach as a "marvellous demonstration of misapplied psychology". Optimistic pronouncements were futile without tangible action against the physical causes of the depression. In fact, the Hoover approach was counter-productive since repeated and unrealised prophecies of revival bred demoralisation and sapped the morale of the public and the business community. Hoover had demonstrated that a fundamental shift away from the "petrified forests of rugged individualism" was necessary. The economy would be revived only by "authentic surgery" which included collectivist planning, increased government intervention, more social control of economic activity and restrictions upon the freedom of private enterprise.<sup>10</sup> The Hoover conferences had been only an "amiable gesture" in this respect.<sup>11</sup>

According to George Soule, the President's inflexibility did not permit the "thoroughgoing reorganization" necessary to promote revival and stable economic growth. The need was for advance planning and the exercise of control over areas responsible for the economic dislocation. As an alternative to the President's patchwork solutions, Soule recommended the coordination of credit, investment, wages, prices, production and consumption within a general framework which would achieve socially-desirable goals.<sup>12</sup> The socialist, Lewis Corey suggested that Hoover's programme had

9. Rexford G. Tugwell, A.T. Cutler & G.S. Mitchell, 'Flaws in the Hoover Economic Plan', Current History 35 (January, 1932): 531.

10. Stuart Chase, A New Deal, op.cit., 139; 150-154.

11. Idem, "A Ten Year Plan for America", Harper's 163 (June, 1931): 9.

12. George Soule, 'Which Way Out?', Forum 88 (March, 1933): 148; 151.

not even begun to travel in this direction. The Hoover conferences amounted to an "organized evasion" of problems. "Business and politics indulged in an orgy of optimism and evasion - no action," Corey asserted.<sup>13</sup>

In 1931, Matthew Josephson summed up the disenchantment of collectivists for Hoover. Hopes had been raised by the White House conferences of 1929 which, although devoid of official governmental powers, had impressed observers that their role "seemed mightier than that of any legislative body previously assembled". However, the conferences had been barren of accomplishment due to the limitations of the participants' economic perspectives:

They were the products of an economic system which bore within itself the germs of its own blight. When sickness and disease fell upon them, they became simple aborigines who tried to expel the evil spirits by the beating of tom-toms, by incantations, dances, prayers. They would not relinquish their cult; they knew only the terms of the past.

The problem with the pledges made at the conferences to cooperate to preserve wage scales, maintain production and increase expenditures on improvements, was that there were no guarantees because "rugged individualism" would permit none. As a result Hoover's strategy had no real effect on economic conditions, was chimerical in terms of its significance for planning and served only to disarm the nation in the face of danger.<sup>14</sup>

The growth of disillusionment with Hoover was paralleled by a growing impatience with the efforts of industrialists to induce recovery. This developing disrespect for the industrial leadership corresponded with the President's loss of prestige for their reputations were intertwined through their joint endeavours in the business conference movement.

13. Lewis Corey, 'Bigger and Better Panics', in Samuel D. Schmalhausen (ed.), Behold America (New York, 1931): 642.

14. Matthew Josephson, 'The New Era, Its Rise and Fall: II - Pink Pills for Panic', New Republic 69 (18 November, 1931): 10-14. Josephson was a historian whose The Robber Barons (1934) was stridently critical of late nineteenth century American entrepreneurs.

Collectivist opinion was by no means hostile to industrialists before the onset of the depression. In July 1929, Heywood Broun reflected that the concentration of industry had facilitated economies of scale which promised to increase Americans' standard of living and gave credit to corporate leaders such as John D. Rockefeller for making this possible. Broun called for "a close alliance and understanding between big business and men of a radical turn of mind" to ensure that the advantages of large-scale industry were universally enjoyed.<sup>15</sup> However, the failure of the business community to rise to the challenge of the depression deprived it of any esteem it had commanded amongst collectivists.

In November 1930, The New Republic announced its loss of confidence in the industrial leadership and its disappointment that business had not addressed itself with any conviction to depression problems. Business leadership was "bankrupt" and "even more poverty-stricken" than political leadership in terms of its appreciation of the changes necessary to control the economy in the interest of the general welfare. Indeed, negative business demands determined the government's own response to the depression. "In the midst of one of the worst depressions the world has ever known, its main concern is that nothing may be done to 'upset' conditions, or to 'destroy' confidence," the journal charged.<sup>16</sup>

Rexford Tugwell was sceptical about the sincerity of businessmen who espoused planning. They were concerned to find a safe refuge in a period of insecurity and thought exclusively in terms of planning for production rather than for consumption. It would be "unnatural for American businesses, which live by adventures in competition, to

15. Nation 129 (3 July, 1929): 7.

16. New Republic 65 (19 November, 1930): 5.

abdicate their privileges voluntarily," Tugwell suggested.<sup>17</sup> Neither was Tugwell impressed with the upsurge of interest in planning among engineers. The engineer had traditionally a greater influence than the economist and more opportunity to implement his ideas into policy, yet had failed to capitalise on these favourable circumstances.<sup>18</sup>

In 1933, Donald Richberg advised that industrial and financial leaders had "disqualified themselves as competent advisors to the Congress" by their failure to halt the destructive course of the depression. Recent experience demonstrated that the only effective remedies would require legislation to compel vital industries to operate as institutions of public service and "to prevent greedy and ignorant men from gambling with the natural and human resources of the Nation". Richberg did not envisage the destruction of capitalism and its substitution by state socialism but regarded any change as a stage in the evolution of capitalism. "But no sound legislative remedy of permanent value," he claimed, "can be based on an effort to preserve unchanged our present economic system and to preserve unreformed the present forces in control of that system."<sup>19</sup>

Collectivist criticism of business during the Hoover presidency was seldom dogmatic or picayune and, when programmes emerged from individuals or organisations within the business community, they were assessed reasonably and frequently welcomed as contributions to the debate on economic recovery and long-term reform. Examples of this

17. Tugwell, 'The Principles of Planning and the Institution of Laissez-Faire', op. cit., 83. Idem, 'Responsibility and Economic Distress': Broadcast for the National Advisory Council on Radio in Education, N.B.C., 30 January, 1932. Tugwell MSS: Box 1.
18. Rexford G. Tugwell to Henry Goddard Leach, 11 September, 1930. Ibid.
19. U.S. Congress, Senate, Committee on Finance, Hearings on S. Res. 315, Investigation of Economic Problems, 72nd Congress, Second Session, 1933: 643.

open-mindedness can be found in the responses of collectivists to the report of the New York State Commission on Stabilization of Industry for the Prevention of Unemployment, the appointment of the U.S. Chamber of Commerce's Committee on Continuity of Business and Employment and the Swope Plan.

The report of the New York committee received the qualified endorsement of collectivists. The New Republic characterised the efforts of individual firms to stabilise their operations as "praiseworthy" and which "should serve as a model for all who can follow them". However, the Committee's stress on action that could be taken by individual employers to induce stabilisation was regarded as generally unsatisfactory. In the first place, all employers were not in a position to exercise a similar degree of control as some of the larger, successful firms cited by the Committee and second, stabilisation schemes in themselves, even if widely adopted, would do little to mitigate the depression and reduce unemployment.<sup>20</sup> The Nation believed that the Committee's research represented "one of the most important things that can be done", but had reservations about the approach to planning which the Committee's report endorsed.<sup>21</sup> A Columbia University Professor, Harold Rugg, also minimised the significance of individual stabilisation measures, describing them as "temporary make-shifts" and "very limited contributions to fundamental social reconstruction".<sup>22</sup> Collectivists regarded the piecemeal, voluntary approach to planning as unsatisfactory because it depended on the goodwill of the individual operator and as such, would be limited in effect. National coordination was necessary and of the type which allowed government a prominent role with the authority to compel firms to stabilise their employment and operations.

20. New Republic 62 (30 April, 1930): 283.

21. Nation 131 (10 September, 1930): 262.

22. Harold Rugg, The Great Technology: Social Chaos and the Public Mind (New York, 1933): 169.

The New Republic described the appointment of the Chamber's Committee in 1931 as a significant indication of the increasing interest in planning among businessmen. While the Committee's report might not have any immediate importance it was likely to have a long-term significance for planning. "We fear that it will be puny in comparison with the need, though perhaps important as a first, timid step," the journal reflected.<sup>23</sup> The Nation suspected that businessmen were becoming concerned that if they did not initiate plans, the government would introduce compulsory programmes if depressed economic conditions continued.<sup>24</sup> However, Virgil Jordan's attendance at the Chamber's annual convention at Atlantic City inspired him with little confidence that the organisation was capable of making any positive recommendations. He described the proceedings as "silly", "empty", "useless", "uncertain" and "insincere" and claimed that the Chamber had failed its own rank and file and the general public. "Never before did so many of its supporters on the scene sense so surely the bankruptcy of its ideas, imagination and capacity for action and count so accurately the consequences," Jordan wrote. "When they went home they knew that nothing had happened or been said, and that they were in for whatever was coming."<sup>25</sup> Sen. Robert M. LaFollette was also critical of the Atlantic City proceedings. A "defeatist attitude" was prevalent and business leaders appeared to be unwilling to accept responsibility for the depression.<sup>26</sup>

23. New Republic 66 (15 April, 1931): 218.

24. Nation 132 (13 May, 1931): 520.

25. Virgil Jordan, 'Business Leadership Passes the Buck: At the United States Chamber of Commerce Meeting', New Republic 67 (20 May, 1931): 7. Jordan was chief economist of the McGraw-Hill publications.

26. New York Times, 3 May, 1931.

The Swope Plan received a more favourable reception from collectivists than any other scheme which emerged from a business source. The Nation described Swope's proposal as "the only real plan so far put forward by any responsible 'captain of industry'" and commended the consideration it showed to labour. While the plan was radical in appearance, it was conservative in intention. It was a recognition that the capitalist system was in jeopardy and sought to preserve that system by means of drastic reorganisation. The Nation withheld wholehearted endorsement because it questioned whether the public interest would be served best through trade association planning which limited production and stabilised prices.<sup>27</sup> The New Republic was particularly impressed with the unemployment insurance features of the plan but was dubious of its approach to industrial stabilisation. It doubted that price stabilisation through trade associations could contribute to minimising unemployment since experience demonstrated that oligopolistic industries such as railroads, public utilities and steel were unable to stabilise employment despite their ability to stabilise prices. Furthermore, this type of planning which sought to limit industrial output to the existing demand at stable prices would be "planning for stagnation" and would perpetuate unemployment and poverty. Rather than stabilise by contraction, national economic planning should aim to enhance the general standard of living, and to achieve this, The New Republic preferred to establish a national planning agency which would make

27. Nation 133 (30 September, 1931): 520.

stimulation of purchasing power the crux of a general production plan rather than allow private industry to fix prices.<sup>28</sup>

Walter Lippmann regarded the Swope Plan as a practicable synthesis of central control and individual initiative. It served to illustrate "the irreducible minimum of surrender required to inaugurate a stable and socially responsible industrial order on the foundation of capitalism and political democracy". Both Lippmann and Stuart Chase recommended that the plan be first tested in the electrical industry as a "laboratory experiment" for the rest of industry to observe.<sup>29</sup>

Liberals' disenchantment with business never approached the Socialists' rejection of capitalist planning. Capitalism could not promote planning effectively according to Norman Thomas and Paul Blanshard because the desire for profits perpetuated a skewed distribution of purchasing power and since operators were unable to cooperate and coordinate their efforts. "The deficiency of most of our leading business men is that they suggest incidental remedies that always go back to the good will of the individual employer," Blanshard claimed. When businessmen advocated planning they had an inadequate awareness of its implications and little sincerity of intent.<sup>30</sup> Socialists were more damning of the Swope Plan than liberals. Mauritz Hallgren suggested that the inevitable outcome would be an "economic dictatorship" of the

28. New Republic 68 (23 September, 14 October, 11 November, 1931): 137; 220-221; 338-339. The restrictionist aspect of business planning was also emphasised by Rexford Tugwell, A. Ford Hinrichs and George Soule. See Tugwell, 'The Principle of Planning and the Institution of Laissez-Faire', op.cit., 83-84. A.F. Hinrichs, 'Russia's Challenge to America', Atlantic Monthly 148 (July 1931): 111-112. Hearings, Establishment of a National Economic Council, op.cit., 102-103.

29. Lippmann, Interpretations, op.cit., 40. New York Times, 29 September, 1931.

30. Paul Blanshard, 'Plea for Social Control and Ownership', The Annals 154 (March 1931): 81. Idem, 'Socialist and Capitalist Planning', Ibid., 162 (July 1932): 8-9. Norman Thomas, As I See It, (New York, 1932): 84-85; 89-90. Idem, 'Capitalism Will Not Plan', New Republic 67 (12 August, 1931): 338.



strongest firms which dominated the trade associations, while Norman Thomas compared the proposal with Italian fascism.<sup>31</sup> Thomas dismissed the plan as irrelevant to the immediate unemployment situation and the issue of a planned economy since trade associations did not cover the functions of banks and stock markets which needed to be regulated in any genuinely planned society. Furthermore, Thomas parted company with the liberals in disparaging the unemployment insurance features of the proposal. The contributory features would place too heavy a burden on the workers for it to be satisfactory. Thomas contended that the Swope Plan would have undesirable consequences. It was a means, he believed "for putting the power of government behind the formation of strong capitalist syndicates which will seek to control the government which regulates them and, failing that, will fight it".<sup>32</sup>

The same estrangement from the Hoover approach and loss of confidence in business planning was evident in the ranks of organised labour. At the beginning of 1930, labour spokesmen were confident that Hoover's initiative of November 1929 would inspire businessmen to ameliorate unemployment and promote revival through planning. However, after repeated exhortations for business to act, their attitude became gradually more despondent. As trade unionists' expectations of business waned, they became increasingly receptive to government intervention in the economy to instigate planning on a national basis.

The A.F. of L.'s official political non-partisanship did not permit explicit criticism of President Hoover. However, John P. Frey revealed in his private correspondence a disappointment with presidential

31. Mauritz Hallgren, Seeds of Revolt: A Study of American Life and the Thought of the American People during the Depression (New York, 1933): 293-294. New York Times, 5, 27 October, 1931.

32. Norman Thomas, 'A Socialist Looks at the Swope Plan', Nation 133 (7 October, 1931): 357-359.

policies. Although the White House conferences had a "far-reaching influence" on businessmen's conduct during the first few months of the depression, the outlook had become bleak by the summer of 1930. Not only had the anticipated economic revival failed to materialise during spring, but by autumn businessmen began to resort to wage reductions in contravention of their pledges. At the end of Hoover's term Frey was thoroughly disabused with the President's policies. "The reconstruction efforts made by President Hoover and his advisors are seemingly economically fatal," he reflected.<sup>33</sup> The Conference for Progressive Labor Action, a revolutionary organisation founded by A.J. Muste was less restrained in its condemnations of Hoover's policy. Chairman, J.B.S. Hardman described the meetings of 1929 as "a huge publicity stunt" which encouraged complacency amongst businessmen.<sup>34</sup>

It was the business community rather than President Hoover which bore the brunt of labour's criticisms during the early depression. In the spring of 1930, The American Federationist called on businessmen to prevent "panic" lay offs and wage cuts through "intelligent planning" and William Green applauded the actions of employers who formulated stabilisation programmes which sought to maintain labour's purchasing power. Their widespread adoption would be instrumental in promoting recovery and ameliorating unemployment. "Upon industrial management rests responsibility for initiating practical steps," Green declared.<sup>35</sup> Some sympathy persisted for business's stabilisation efforts at the A.F. of L.'s annual convention on October. The pledges

33. John P. Frey to W.A. Appleton, 23 June, 30 December, 1930; 3 January, 1933. Frey MSS: Box 1 Files 5-6.

34. New York Times, 24 January, 1930.

35. American Federationist 37 (February, May 1930): 150-151; 530-531.

made at the White House conferences had been "a constructive achievement" and many employers had kept faith with their agreements although the tendency was not universal.<sup>36</sup>

However, as the year progressed organised labour became increasingly disheartened by the record of industry in promoting stabilisation. In August, Green noted that few firms had adopted stabilisation schemes and that coordinated planning of whole industries was practically unknown. Industry had failed to perceive its self-interest in stabilisation projects. "We have made comparatively little headway with stabilization of production," Green reflected in October.<sup>37</sup> The labour economist, Paul H. Douglas questioned whether the majority of businessmen were willing or able to surmount the difficulties inherent in stabilisation. According to Douglas, the bulk of the business community did not possess the "fine intelligence and social imagination" of an Owen D. Young.<sup>38</sup>

The American Federationist began to appreciate that the isolated actions of individual firms were unsatisfactory and that a more comprehensive approach to planning was necessary which regulated the interrelationships between firms and their industries. The depression required "associated action" to promote recovery.<sup>39</sup> "The problem of sustained prosperity can not be worked out by single plants,"

36. Proceedings, 50th Annual Convention, A.F. of L., 1930, op.cit., 59. See also William Green, 'Why Work So Long? A Plea for Security of Employment and Stabilization of Business', Forbes 26 (1 October, 1930): 17; 20.

37. American Federationist 37 (August, October 1930): 914; 1195-1196.

38. American Labor Legislation Review 20 (September 1930): 273-281.

39. American Federationist 37 (September, 1930): 1046.

the journal advised in 1931, "but there must be organized planning for the whole industry."<sup>40</sup> Even when it considered the achievements of the progressive corporation, Eastman-Kodak, its praise was limited to the "community planning" of the Rochester experiment in which Eastman participated.<sup>41</sup>

Throughout 1931, the emphasis of The American Federationist's remarks about planning was that the Federal Government should assume responsibility by establishing a national agency. "We need more economic government to cure the ills of business," Green editorially declared. Despite the efficiency of managers in individual plants, they were incapable of overcoming the economic maladjustments which involved inter-relationships within the economy. The need was for national economic policies on a national scale.<sup>42</sup> Trade associationism was unsatisfactory as a vehicle for national planning. As the Federation's Executive Council reported to the convention of 1932: "While trade associations and large corporate organizations may be competent for their distinctive jurisdictions, they are but part of the national structure which they influence and which in turn conditions their opportunities."<sup>43</sup> Also, by 1932, labour spokesmen were unwilling to support an approach to planning associated exclusively with the business community. "The damned foolishness or stupidity of our captains of industry and finance is becoming more evident every day," John Frey contended.<sup>44</sup> William

40. Ibid., 38 (January 1931): 18. See also Ibid., 38 (March 1931): 276.

41. Ibid., 37 (December 1930): 1462.

42. Ibid., 38 (April, May, July, September 1931): 403-404; 531-532; 804; 1053.

43. Proceedings, 52nd Annual Convention, A.F. of L., 1932, op.cit., 35.

44. John P. Frey to William T. Foster, 5 August, 1932. Frey MSS: Box 9 File 128.

Green castigated management for failing "miserably" during the depression. While employers remained unreceptive to new ideas the working class had begun to think in "more advanced terms" which involved the acceptance of the type of national planning which would effectively substitute "the unscientific and uneconomic methods now being pursued by industrial management".<sup>45</sup>

Labour's disillusionment with business was reflected in its lukewarm reception of the proposals of Gerard Swope and the Chamber of Commerce. William Green advised that the Swope Plan be given "careful consideration" and the Labor Bureau Inc. distinguished it from "the usual employers' buncombe". However, the scheme had numerous shortcomings. Adequate labour participation was not allowed for in the administration of the Plan and industrial stabilisation would be achieved by production limitation rather than through increased consumption.<sup>46</sup> John Frey added that the plan's emulation of the European cartel system was objectionable and doubted that business would wisely administer unemployment insurance programmes.<sup>47</sup> The Chamber's reputation was low within the ranks of organised labour. The American Federationist believed that the progressive rhetoric of Chamber spokesmen was hollow, and that their sentiments would not be given substance and be converted by business into practicable proposals.<sup>48</sup> For William Green, both programmes were flawed by their reliance on trade associationism to regularise production and consumption, since factors existed outside of industry

45. 'Labor's Appeal for Economic and Legislative Relief': Petition signed by William Green and Frank Norrison. Reprinted in Congressional Record 75, 72nd Congress, First Session, 1932: 3636.

46. American Federationist 38 (October, 1931): 1182-1183. Facts for Workers 9 (October 1931): 1-2.

47. John P. Frey to W.A. Draper, 12 March, 1932. Frey MSS: Box 8 File 120.

48. American Federationist 38 (June 1931): 674.

which the associations could not control.<sup>49</sup> Throughout the last year of Hoover's office organised labour continued to insist on the failure of business leadership and the need for government to sponsor planning through the creation of a national agency.<sup>50</sup>

Rexford Tugwell reflected the sentiments of collectivists and trade unionists when he wrote in 1932 that "what has been offered by the administration and by business leaders ... will not be of the slightest assistance; in fact their policies rather handicap recovery".<sup>51</sup> This lack of confidence in the established sources of national leadership prompted collectivists and organised labour to formulate alternative economic plans. The year, 1931, appears as a critical juncture in the development of the central planners' attitudes to the Hoover administration and the business elite. Coincidentally, during the same year interest in the Soviet Union reached a peak since the Bolshevik Revolution as indicated by the number of books published and written by American authors.<sup>52</sup>

The Soviet experiments in economic planning inspired the American central planners. Lenin's implementation of the New Economic Policy in 1921, predicated on a mixed economy, aroused initial interest. Information on Soviet developments were relayed to the United States by American technicians employed in Russian industry and visiting delegations.<sup>53</sup> As Russian planning became more centripetal with the introduction of the first Soviet Five-Year Plan by Stalin in 1928,

49. Hearings, Establishment of a National Economic Council, op.cit., 601-602.

50. American Federationist 39 (July, October 1932): 729-731; 1101-1102. Ibid., 40 (January 1933): 16-17.

51. Rexford G. Tugwell, 'Discourse in Depression': Preliminary Report for the Rockefeller Foundation. Manuscript, 1932. Tugwell MSS: Box 2.

52. Filene, The Soviet Experiment, op.cit., 287.

53. Feuer, 'Travelers to the Soviet Union', op.cit., 119-149.

American interest was quickened. The experience of the depression in the United States and the inability of established leadership to effect revival made the central planners envious of the purposefulness of Soviet planning, its disregard for tradition and willingness to experiment. Central planners discovered that they shared common concerns with the Soviets. There was a mutual respect for the economic and social potential of technology and a determination to secure maximum benefits from mass production. Both appreciated the virtues of efficiency, standardisation and the elimination of waste in industry. Moreover, they shared a common reverence for information and statistics upon which to base planned economic activity, and a respect for expertise and experimentation in the planning process.

Stuart Chase admired the Soviets' efforts to manage the Russian economy for social ends. "This experiment is going to be the acid test of whether human brains are capable of directing a mechanical civilization for the benefit of the whole people," he contended in 1930.<sup>54</sup> Chase visited Russia as a member of a trade union delegation in 1927 and was impressed with the purpose of Russian planning. While Russia had only retrieved industrial and agricultural production levels of 1913 at poor levels of quality, Chase was confident that the situation would improve after the adoption of the Five-Year Plan. Much of his optimism stemmed from the rigorous intolerance of waste in Russian industry as expressed in the absence of competition and standardisation of production. Chase also praised the use of national statistics in the planning process, which in volume and detail surpassed those of any other nation.<sup>55</sup>

54. Stuart Chase et al., 'Symposium: "Dark Days Ahead: A Dialogue on the Bankruptcy of Business Leadership"', Forum 84 (October 1930): 206.

55. James G. McDonald, Stuart Chase and Rev. Edmund A. Walsh, Soviet Russia after Ten Years (New York, 1927): 17.

Russian planning also had an idealistic basis. Chase celebrated the expansion of industrial production without the incentive of private profit. He ascribed this phenomenon to the mutual involvement and participation in decision-making by management and workers through the 'workers' councils', the close identification of workers with socialised means of production, and a "burning zeal" to make the experiment successful. Such motivation was contrary to the canons of laissez-faire and the accepted rules of industrial behaviour. "Human nature is a more complicated thing than as comprehended in the doctrines of the Manchester school," Chase observed.<sup>56</sup> Rexford Tugwell also recognised the idealism of Russian planning. "The Russians," Tugwell noted, "have been sustained by an almost religious faith, which has made discipline a kind of joyous sacrifice for a great cause."<sup>57</sup> A similar sense of purpose could be transposed in the United States once the economy ceased to administer its rewards to privileged groups. Tugwell anticipated "a great outpouring of energy as soon as we shall have removed the dead hand of competitive enterprise that stifles public impulses and finds use only for the less effective and less beneficial impulses of men".<sup>58</sup> Undoubtedly, much of the appeal of Russian planning lay in the contrast in morale between the two cultures; between purposefulness and optimism on the one hand, and aimlessness and pessimism on the other.

In the words of Stuart Chase, Russia was "a great laboratory, a great experiment station in which we can finally measure the utility

56. Stuart Chase, Robert Dunn, Rexford G. Tugwell et al., Soviet Russia in the Second Decade: a Joint Survey by the Technical Staff of the First American Trade Union Delegation (London, 1928): 48-50.

57. Rexford G. Tugwell to J.R. Brackett, 11 April, 1931. Tugwell MSS: Box 1.

58. Tugwell, 'The Principle of Planning and the Institution of Laissez-Faire', op.cit., 85-86.



to mankind of a collectivist form of industry".<sup>59</sup> The Soviet Union's experiments in economic policy provided models for American observation, adaptation and application. George Soule advised against "slavish imitation" of the Russian examples because of the dissimilarity of economic conditions, but hoped that Americans would be stimulated to consider experimentation with planning. Developments in Russia did not present the United States with any choice between capitalism and communism, but between "adaptation to industrialism and decay".<sup>60</sup>

Soule's qualifications are significant in that few central planners wished to duplicate the Russian experiment in its entirety. Americans could not contemplate any form of planning which involved the sacrifice of fundamental civil liberties. Also they were aware that the two nations were at different stages of economic development and that Russian planning methods and objectives were both unnecessary and inappropriate for the United States. Rather Soviet planning acted as a timely, inspirational force and served as an operative model from which the United States could benefit from observation and selective adaptation. To bestow planning with a legitimacy central planners tended not to appeal to the inspiring, but ideologically alien Soviet experience, but to the American precedent of central planning, the War Industries Board. Planners could even claim that the W.I.B. was a forerunner of the Gosplan, for as Stuart Chase said of the latter: "It is our own War Industries Board carried three or four steps into the future."<sup>61</sup>

Commenting on the ideological basis upon which arguments about the separation of business and government were phrased, Oswald Garrison

59. McDonald et al., *Soviet Russia after Ten Years*, op.cit., 18.

60. George Soule, 'Will the Five Year Plan Succeed?', New Republic 65 (3 December, 1930): 64. Soule, *A Planned Society*, op.cit., 211-214.

61. McDonald et al., *Soviet Russia after Ten Years*, op.cit., 17.

Villard made the point that when war came and government took increasing control of the economy "nobody declared that this was socialistic or communistic. It was just necessary".<sup>62</sup> It had been also highly successful. To eliminate waste in industry, the W.I.B. had insisted upon standardisation in manufactures and had eliminated style competition in many lines. To simplify the enforcement of its rules throughout the nation, it had dealt with businessmen through their trade associations. This narrowed destructive price competition, but to ensure that industry would not fix prices of strategic raw materials at too high levels, the Federal Government had regulated prices. In addition, all antitrust suits had been suspended during the war and large corporations frequently received favourable consideration in the dispensation of war contracts because of their ability to make large and rapid deliveries.<sup>63</sup> The imperatives of the moment demanded that the shibboleths of 'rugged individualism' be disregarded and practices were condoned which would have been greeted with apprehension in peacetime.

The Board embodied many long-term aims of the planners and exemplified the potential of industry to reach greater levels of productivity. Donald Richberg argued that the economic emergency made it imperative that planning on the lines of the W.I.B. be resuscitated. Contemptuous of the "kindergarten arguments" of those who would have the depression run its 'natural course', Richberg urged "a civil mobilization under civil authority to organize our resources for national defense against the destructiveness of present, uncontrolled economic forces". His allusion to the parallels between the economic and wartime emergencies

62. Nation 131 (3 September, 1930): 237.

63. Soule, Prosperity Decade, op.cit., 12-63. Randall B. Kester, 'The War Industries Board: A Study in Industrial Mobilization', American Political Science Review 34 (August 1940): 655-684.

was not made merely for effect since Richberg discerned a precedent in the wartime emergency which sanctioned recourse to planning in the depression. "Frankly," Richberg contended, "I can not differentiate between a great economic crisis such as we are facing ... and the menace of war."<sup>64</sup>

The War Industries Board served as a model for a number of economic plans in the early years of the depression. They represented a conviction that the reinstatement of a similar institution and the application of central direction to economic activity would promote recovery and presage long-term reform. Three plans proposed during 1931 and 1932 were indebted to the W.I.B. George Soule outlined the substance of his proposals for central planning in two articles for The New Republic in March 1931, and developed them in his A Planned Society (1932). Stuart Chase revealed his blueprint for a 'Peace Industries Board' in an article of June 1931, which appeared in Harper's magazine. He elaborated his ideas in A New Deal (1932). Historian, Charles A. Beard's proposal for a centrally-planned economy illustrates the vogue for 'plans' during the period. Although a serious effort, Beard's plan was commissioned by Forum magazine and appeared in its issue of July 1931.

George Soule sought sanction for central planning in the American wartime experience. "It is a nonsense to say that there is any physical impossibility of doing for peace purposes the sort of thing we actually did for war purposes," Soule challenged. "There may be obstructions in our institutions, habits and desires, but not in our equipment, skill and intelligence." A central planning agency would seek to secure short and long-term objectives. Most immediately, it would make proposals for effecting economic recovery and in the long-run

64. Hearings, Federal Aid for Unemployment Relief, op.cit., 454-455.

would pursue numerous worthwhile goals such as urban renewal, conservation and raising the standard of living of lower income groups.<sup>65</sup>

Without any central authority to plan American economic development, Americans would remain vulnerable to the swings of the business cycle and would be deprived of the social benefits of technological progress. Soule characterised the business system as a "body without a brain". Continuing his analogy, he maintained: "We have magnificent muscles in our great industrial plants, efficient arteries in our railroads and highways, sensitive nerves in our lines of communication. But we have only a trace of gray matter in our economic cranium."<sup>66</sup> The installation of a central planning mechanism would permit an otherwise efficient economic system to function effectively. Central planning did not require any radical change in either the economic or social orders. Planning and capitalism could be complementary, since planning provided the guidance to enable the capitalist system to function more successfully.<sup>67</sup>

Soule urged the establishment of two principal planning agencies: an Economic General Staff and a National Industrial Council. The General Staff would be a permanent body, authorised by act of Congress or executive order and composed of professionally-qualified experts. It would function as a "correlating and thinking agency", collating and interpreting statistical information on economic trends, forecasting developments and devising appropriate policy. In its work it would cooperate with existing government agencies and would create new ones as the need arose. The National Industrial Council was conceived of

65. Soule, *A Planned Society*, op.cit., 187; 262-263.

66. Idem, 'Are Depressions Avoidable?', Ibid., 65 (11 February, 1931): 343-344.

67. Idem, 'Are We Going to Have a Revolution?', Harper's 165 (August 1932): 277-286. Idem, *A Planned Society*, op.cit., 98-124.

as a larger, delegate body consisting of representatives of industry, labour, government and other interest groups. The Council would be the "connecting link between thinking and action", receiving information and recommendations from the General Staff and being responsible for formulating policy on the basis of the Staff's recommendations or otherwise. Soule vested the Council with no authority to command, and was content for it to be an extra-constitutional body with no formal legislative powers. Its effectiveness would depend upon its ability to influence government, business and other constituencies of the reasonableness of its proposals.<sup>68</sup>

It would seem that Soule's endorsement of the 'advisory approach' was tactical. He admitted that he was not convinced that such planning organisations would be effective, but stressed that they did serve as an initiative from which more viable planning methods might emerge. As it was, "they might not be capable of doing much good, but they could not do much harm". Undoubtedly Soule's priority was to present a national planning proposal which would have a realistic chance of implementation. He was prepared to compromise his own convictions to secure the foundations for national planning.<sup>69</sup>

Soule defined three principal objectives for his planning agencies: the restoration and maintenance of purchasing power; the balancing of production and consumption, and the stabilisation of industry and employment. These considerations dictated that the logical point of departure for planning was those sectors such as bituminous coal and textiles which were inefficient, highly competitive and where the lowest wages and marginal occupations prevailed. To induce stabilisation

68. Idem, 'National Planning: The Problem of Creating a Brain for our Economy', New Republic 66 (4 March, 1931): 62-63. In 1932 Soule expanded his design to allow for planning in individual industries conducted through trade associations, thus completing a pyramidal structure. Idem, A Planned Society, op.cit., 251-252.

69. Idem, 'National Planning', op.cit., 62. Idem, 'Hard-Boiled Radicalism', New Republic 65 (21 January, 1931): 265.

Soule recommended that combinations of firms be permitted, but with the qualifications that they would be liable to federal regulation and that consolidation took place "on the basis of engineering, rather than of merely financial design". A target should be set to provide labour with an adequate and minimum standard of living and a five-day, forty-hour week. This would necessitate doubling the national income and increasing industrial productivity, a problem to be considered by the planning agencies. Soule suggested the creation of three boards to serve as administrative arms. The first would institute geographic planning and resource development. The second would organise the labour market by administering employment exchanges and unemployment insurance, introducing job retraining schemes and compiling accurate statistics on the extent of unemployment and available employment opportunities. The third would regulate investment and credit, direct investment towards socially-essential production, prevent excess capacity and relate credit to the budget and production plans of industry.<sup>70</sup>

From these modest beginnings, Soule believed that a more comprehensive, incisive and mandatory approach to planning might evolve. However, it was vital that a beginning be made and that collectivists should not stand on principle if it threatened to sabotage the attainment of an ultimately desirable objective, albeit flawed in its conception stage. As Soule wrote in 1932:

Social planning is not a hard-and-fast, completely predetermined scheme. It is a method, a technique, a way of attacking problems. It develops in practice. It must be learned, and like other disciplines of education, it can be learned only by doing.<sup>71</sup>

Stuart Chase adopted the same pragmatic and flexible approach in his attitudes to planning. Never doctrinaire in his views, Chase was

70. *Idem*, 'What Planning Might Do: Goals and Methods for an Economic Brain', *Ibid.*, 66 (11 March, 1931): 88-91.

71. *Idem*, *A Planned Society*, *op.cit.*, 230.

less concerned about how planning was to be achieved but that it be achieved as soon as possible. At one moment he could express sympathy with a revolutionary movement of engineers and "wayfaring men", yet at the next, announce that he was not interested who controlled "the wild horses" of industry, as long as they were effectively controlled.<sup>72</sup> Chase's flexibility is evident in his two plans of 1931 and 1932, which contained the seeds of technocratic socialism, but were intended to be compatible with the existing capitalist structure.

To justify his programmes Chase appealed to the precedent of the War Industries Board. The W.I.B. had temporarily transformed the economic system into an intelligent mechanism for the production and distribution of goods and services according to the needs of the armed forces and the homefront. By promoting a unity of purpose between diverse social groups and boldly overriding "encrusted traditions and petty rights", war-planning succeeded not only in satisfying the material demands of the war-effort but in raising the standard of living for the American population as a whole, and despite the withdrawal of 25% of the work force for active service. The peacetime reinstitution of such an organisation was desirable, and in 1931, Chase proposed the establishment of a 'Peace Industries Board' for this purpose. Like the W.I.B. the national agency would propose no immediate threat to traditional American credos of private enterprise. Individualism and central direction would be reconciled by allowing the agency no direct, coercive powers, avoiding nationalisation of industries and not interfering with industrial profits.<sup>73</sup> Chase's Board would be composed of

72. Stuart Chase, 'Prometheus Enchained', in *Idem*, *The Nemesis of American Business*, op.cit., 99. *Idem*, 'Harnessing the Wild Horses of Industry', Atlantic Monthly 147 (June, 1931): 784.

73. *Idem*, 'A Ten Year Plan for America', op.cit., 24. *Idem*, *A New Deal*, op.cit., 84; 151.

representatives of government, business and "engineers", a balance which would ensure inclusion of both social vision and expertise and would be popularly acceptable. The Board would draft a ten-year plan for America and supervise it once accepted. It would cooperate with, or absorb, existing government agencies and establish working relationships with representative business and labour organisations.<sup>74</sup>

The Board would have two principal objectives. First, the direction of new investment into socially desirable channels and second, the more equitable distribution of national income to maintain purchasing power. To secure the first, Chase preferred to follow the W.I.B.'s precedent by refusing credit for unwarranted investment. However, he understood that it might provoke an unfavourable political reaction and that the broadcasting of information on investment opportunities for voluntary consideration would be more expedient. Much could be accomplished by the Board through enforcing its will "by argument, conference, the showing of facts" and only in the last resort, using more direct methods of compulsion. Ultimately, however, if the need arose the Board could use the government's powers of taxation or its influence in vital industries - such as communications - to ensure compliance to its recommendations. In certain strategic sectors the Board's authority would be enhanced by making major industries subject to "supervision". While Chase failed to clarify the nature of supervision in his article of 1931, he intimated in 1932 that industries which had matured beyond efficient private operation, such as railroads and the natural resource industries, should become independent state trusts. As such the national Board could determine the nature and extent of investment in these industries and use the industries themselves as levers to induce conformity for its investment recommendations

74. Idem, 'A Ten Year Plan for America', op.cit., 3; 7-8.



elsewhere in industry. Chase envisaged a role for trade associations also in implementing the Board's investment policies and favoured a liberalisation of the antitrust laws to enable industries to coordinate their activities. The government would also become a major initiator of investment in its own right through the promotion of public works programmes. Not only would it fulfil the need for investment in areas where the private sector was either unwilling or unable to commit itself, but public works would take up the slack of technological unemployment and mitigate cyclical unemployment.<sup>75</sup>

Chase's second objective, the more equitable distribution of the national income, would be furthered by the Board's recommendations to industry that wage scales be improved and working hours decreased and its advice to Congress that taxation policy be made more progressive. Chase was sympathetic also to the enactment of a minimum wage, unemployment insurance and the provision of efficient labour exchanges to facilitate re-employment.<sup>76</sup>

In A New Deal, Chase reiterated his proposals while giving his national agency a new title - the National Planning Board - and recommending that it be supplemented by Regional Boards composed of experts from the professions. Again he emphasised that his programme marked no absolute break with American traditions and described it as "drastic and progressive revision of the economic structure avoiding an utter break with the past". Control was aimed at strategic points only, and would be exercised "over landmarks with which we are really familiar". This would entail a minimum of governmental interference and bureaucracy

75. Ibid., 5-8. Idem, A New Deal, op.cit., 220-229.

76. Ibid., 202-211; 229-232. Idem, 'A Ten Year Plan for America', op.cit., 9-10.

since no general price or wage fixing, profits limitation or restriction of consumer choice was intended.<sup>77</sup>

Charles Beard insisted that adherence to tradition was dangerous. Although laissez-faire had become an obsolescent doctrine during the late nineteenth century, its persistence in political thought and socio-economic policy had contributed to the unrestrained competition and maldistribution of income which had precipitated the depression. Beard was convinced that "orderly procedure" through national planning was essential to maintain consistent and impressive economic growth.<sup>78</sup>

In his Forum plan, Beard provided for the creation of a National Economic Council composed of representatives from the major industries, distribution, agriculture and labour. The function of the Council would be to formulate an economic programme, including the necessary constitutional changes, which would be submitted to popular referendum for public approval. The Council would be responsible for the plan's operation once adopted. It would be assisted by a Board of Strategy and Planning whose divisions would survey and predict the resource and productive capability available to industry and allocate production quotas to industries according to pre-determined criteria - whether the ultimate objective be maximum output, more leisure or higher wages. The Bureau of Standards would work in tandem with the Board to eliminate duplication in industry.

Beard envisaged that, while remaining privately-owned, all highly-concentrated industries would be declared by the N.E.C. to be "national public service enterprises 'affected with public interest' and subject

77. Idem, A New Deal, op.cit., 173; 236-237.

78. Charles A. Beard, 'The Myth of Rugged Individualism', Harper's 164 (December 1931): 13-22. Idem, Issues of Domestic Policy: Government Series Lecture No.8 delivered 24 May, N.B.C. (Chicago, 1932): 1-2.

to the principles of prudent investment and fair returns". Once these industries had been placed on a public utilities basis, each industry would be organised into a syndicate and sub-divided into Corporations. At the Syndicate level the operations of the Corporations would be rationalised through the suspension of the antitrust laws, while at the Council level the operations of the various Syndicates would be integrated. Production quotas, operating standards and efficiency tests would be dispensed by the Council and Syndicates while competitive principles would be encouraged through the granting of bonuses as a reward for achievement. Beard's Council would not concern itself with the so-called "quality goods" industries which would continue in private hands. But Beard forecast that with the decline of the "plutocracy" the production of articles for the "demi-monde" would fall off in any case. Beard also contemplated the control of agriculture and international marketing by the N.E.C. and its sponsorship of a massive urban renewal programme to provide work for the unemployed.<sup>79</sup>

Beard went to great lengths to claim legitimacy for his plan within the American experience, although contemporaries believed that it was inspired by the Italian corporatist model.<sup>80</sup> He prefaced his programme with the warning that if planning was to be anything more than "another transitory fad" or "an idle fantasy", it needed to be thoroughly grounded in American practice. Beard cited elements of planning which already existed in private corporations and in national, State and local governments. Fragments of national planning were already scattered throughout the economy, merely awaiting "the touch

79. Idem, 'A Five Year Plan for America', Forum 86 (July 1931): 5-10.

80. Hallgren, Seeds of Revolt, op.cit., 289. However, Beard denied that he was influenced by Italian corporatism. See: Charles A. Beard, 'Government by Technologists', New Republic 63 (18 June, 1930): 120.

of engineering genius to extend them and tie them into a consistent organization for efficient functioning on the national stage". Planning merely conformed to the imperatives of technological change. Centripetal in operation, technology was rational and planful through "inner necessity". Systematisation and unification were inherent in its very processes, and consequently, technology contributed to the concentration of productive activities. As such, the area of economic life controlled by planning would inevitably widen and the only issue became, under what institutional auspices?<sup>81</sup>

Beard, with the other central planners, appealed to the "titanic effort" of the War Industries Board to lend his programme legitimacy. This solicitude for American tradition and alacrity to justify planning within it, was a marked feature of the proposals of the collectivists. Frequently, the moderation of the plans veiled a more radical intent. Soule and Chase, for example, were convinced that once implemented, planning would assume a momentum of its own and develop towards greater centralisation and stricter control. However, the nature of the programmes devised reflected their author's concern to present feasible and practicable schemes which might be considered acceptable by important pressure groups.

The National Progressive Conference approved national planning in its report published in The New Republic in January 1932, and entitled 'Long Range Planning for the Regularization of Industry'. The report defended nationwide planning against the industry-wide alternative favoured by the business community, but disassociated itself from Soviet economic planning because of its objectionable political aspects. National planning was essential to achieve

81. Idem, 'A Five Year Plan for America', op.cit., 1-2.

"regularized" economic growth, increase the standard of living of the poorly paid, ensure a balance within the economic system and coordinate the activities of government agencies with industrial planning. The Conference proposed the establishment of a National Economic Board appointed by the President on the advice of national organisations and composed of experts in fields such as economics, labour relations, scientific management and agriculture. Its functions would be to assemble a nationwide statistical survey, scrutinise economic plans and recommend to Congress any new legislation which was required. It was given the authority also to initiate "organizing councils" throughout industry which would establish permanent organisations, representative of all interests involved and which would apply the Board's recommendations to their particular industries. The Progressive Conference denied that its proposals were radical, since they attempted to reconcile collective planning with the existing capitalist system. The Board would have no power to command, the emphasis of the programme being on "voluntary action". However, national planning would develop through experimentation and the Conference expected that "measures will change and develop with experience". Like the individuals who proposed planning schemes, the Progressive Conference was conscious of the need to take preliminary, modest steps to inaugurate a collectivist economy.<sup>82</sup>

The American Federation of Labor declared for national planning during its convention of 1930, when the Executive Council formulated an unemployment programme for the consideration of Congress. The plan called for the assembling of reliable statistics on employment, the

82. J.M. Clark, et al., 'Long-Range Planning for the Regularization of Industry', New Republic 69 (13 January, 1932): 1-23, (Supp.).

creation of a national system of public employment exchanges, implementation of a shorter working week, greater emphasis on public works programmes, government investigations of technological unemployment, regularisation of industrial production and relief, and provision for vocational training and retraining. 'Point Two' of its programme recognised the desirability of the efforts by individual companies to regularise production and incomes for employees, but contended that individual initiatives should be supplemented with "team work by the whole industry and team work between industries". To accomplish this, the Council urged that comprehensive planning be instigated through the creation of a national advisory council, representative of all producing and consumer groups. The council would investigate means of maintaining economic equilibrium, consider the institutions necessary to fulfil this purpose and secure the cooperation of private and governmental agencies to coordinate efforts to promote recovery and ameliorate unemployment.<sup>83</sup>

By the end of 1931, the case for central planning had received copious publicity through the efforts of collectivists in the labour movement and the 'left-of-centre' intelligentsia. However, despite the groundswell favourable to central planning it was ironical that individual efforts were not given collective expression. Advocates did not pool their resources behind a common programme, which diminished the effectiveness of the central planners as a pressure group. This reluctance to coalesce was due, in part, to the diffuse character of the advocates of central planning and the financial resources available to publish individual plans. There was also a rift between academic economists who advocated central planning and 'popularisers' of the

83. Proceedings, 50th Annual Convention, A.F. of L., 1930, op.cit., 59-64.

idea. For example, Rexford Tugwell was disapproving of the popular economics of Stuart Chase. In 1930, he declined an offer from The Saturday Review to appraise Chase's Prosperity: Fact or Myth since he did not regard it highly and preferred not to jeopardise his friendship with the author.<sup>84</sup> Collectivists differed in their definitions of the nature and purpose of economic planning. Socialists, in particular, were stridently critical of the liberal collectivists' proposals which they disparagingly characterised as props for an ailing capitalist system.<sup>85</sup> The inability of organised labour and the diverse collectivist intelligentsia to unite in common purpose was regarded by journalist, William Harlan Hale, as a serious shortcoming in the case for central planning. Writing in 1933, Hale reflected that nothing tangible had been achieved by the central planners and that their failure to create a viable third political party, because of various political allegiances, was the source of their failure. The central planners remained intelligent 'progressives', eminently readable, but without concrete effect.<sup>86</sup>

The case for central planning was further compromised by the limited support of academic economists. Paul T. Homan was struck by the lack of consensus amongst well-qualified economists as to the desirability of industrial concentration and felt that if the subject became the focus of political discussion, the divided counsels of

84. Rexford G. Tugwell to Henry S. Canby, 22 January, 1930. Tugwell MSS: Box 2.

85. See, for example, Hallgren, Seeds of Revolt, op.cit., 287-291; 294-299. Lewis Corey, 'National Economic Planning and the Liberals', Modern Quarterly 6 (Autumn-Winter 1932): 28-41.

86. William Harlan Hale, 'From right to left through Redeemer-Land', Vanity Fair 40 (May 1933): 19.

economists would result in "a state of sad mental confusion" amongst the legislators.<sup>87</sup> Indeed, economists such as Frank Fetter and Myron Watkins contended that an economy of competitive individualism was more beneficial to the consumer and general industrial progress, than any economic planning which involved the repeal of the antitrust laws. Laissez-faire had been much maligned and if competition had been a 'natural person', Fetter remarked, "she or he could sue and recover damages for malicious slander".<sup>88</sup> Fetter's position evoked much sympathy amongst economists as underlined by the creation of 'The Economists' Committee on Anti-Trust Law Policy' of which Fetter himself was a founder. The Committee produced a petition to be presented to the Democratic and Republican party conventions of 1932, which demanded that the parties add an antitrust plank to their platforms reaffirming "the essential principle of fair competition in all lines of industry". One hundred and sixty-seven leading economists sympathised with the Committee's proposals and signed the petition.<sup>89</sup> Many established economists did not feel constrained to address themselves to the problem of industrial control and focussed on facilitating international trade and manipulating the currency as methods of extricating the United States from the depression. Fetter's own programme, endorsed by twenty economists and outlined in a letter to President-elect Roosevelt stressed the settlement of war debts, lowering of tariff

87. Paul T. Homan, 'Industrial Combination as Surveyed in Recent Literature', Quarterly Journal of Economics 44 (February 1930): 359.

88. Frank A. Fetter, 'The Truth About Competition', The Annals 165 (January 1933): 93. Myron W. Watkins, 'The Sherman Act: Its Design and Its Effect', Quarterly Journal of Economics 43 (November 1928): 1-43.

89. 'Communications', Petition by Fetter, et al., American Economic Review 22 (September 1932): 465-469.



barriers and maintenance of the gold standard as a basis for economic recovery.<sup>90</sup>

Economists' reviews of specific proposals could be scathingly critical. Respected academics such as Paul Homan, Frank H. Knight and Frank W. Taussig all commented on the shallowness of the plans they reviewed. In appraising Chase's A New Deal, Homan recognised the author's compromise with his principles for after spending most of the book "making the capitalistic system look foolish", the rest was devoted to shoring it up by way of controls. While Chase looked forward ultimately to a collectivist organisation, Homan reflected that he did not dwell upon how it would effectively function or how the transition from free enterprise would be managed. Chase was so confused that the reason he avoided such crucial issues was that "they appear to be beyond the range of his intellectual competence". Homan felt no less strongly about George Soule's A Planned Society which was "peculiarly unspoiled by analysis" and omitted such crucial problems for a planned economy as control of prices.<sup>91</sup> Frank Knight believed that Soule's work was distinguished as a work of literature rather than an economics text. Of the author's use of economic analysis, Knight jibed, "the familiar gallicism tells the story - 'it does not exist'".<sup>92</sup> Homan directed similar criticism at the Beard Plan. While recognising the frankness of the author in not temporising with a "system half-competitive" as the others, but opting for a thorough-going monopolistic organisation of industry, nowhere did Beard assess the relative merits

90. New York Times, 3 January, 1933.

91. Paul T. Homan, 'Economic Planning: The Proposals and the Literature', Quarterly Journal of Economics 47 (November 1932): 117-118.

92. Frank H. Knight, 'A Review of A Planned Society by George Soule', Journal of Political Economy 41 (June 1933): 421-423.

of competition and monopoly or indicate the mechanisms which planning would employ to fix prices and allocate resources.<sup>93</sup> Professor Taussig, the specialist in international trade, gave the Beard Plan short shrift, dismissing it as "hopelessly impractical".<sup>94</sup>

Divergence of opinion amongst economists over planning could arouse rancour as occurred between Frank Knight and Rexford Tugwell. Knight, although professedly sympathetic to the economics of control was disturbed by what he perceived as a growing vogue for planning amongst economists. His disquiet, as he made clear in an article of 1932, was provoked by evidence that economists were beginning to pander to public demands and the exigencies of successful publication figures by sacrificing truth and objectivity to the popular clamour for "exposure and denunciation", "clarion calls to action" and "'wonders' of some kind". This development threatened the integrity of economics as a social science since it transformed its practitioners from objective researchers into propagators and blurred occupational lines between the economist, journalist and politician.<sup>95</sup>

Although Knight's article in the Journal of Political Economy was a critical analysis of the work of Sumner Slichter, Knight made unfavourable reference to Tugwell's address before the American Economic Association in December 1931. Knight clearly regarded Tugwell as one of the major heretics responsible for the new trend and claimed that the address eschewed enquiry into fact and truth and was openly propagandist in intent. "A little high-grade utopian-reformist soap-boxing, should provide excellent - let us say - 'messianic relief' from the

93. Homan, 'Economic Planning: The Proposals and the Literature', op.cit., 118-119.

94. Forum 86 (August 1931): xvii.

95. Frank H. Knight, 'The Newer Economics and the Control of Economic Activity', Journal of Political Economy 40 (August 1932): 442-447.

nerve strain of the solemn stodginess of a meeting of a learned society," Knight scoffed. As a solution to social problems, however, the address was distinctly unhelpful. "In that regard," Knight chided, "it is equivalent to any other 'if-ing', from nursery rhymes about turnips and watches to the greatest inspiration in poetry."<sup>96</sup> These caustic remarks began a short but acrimonious correspondence between the two protagonists, although only one side is available for historical comment.

On receiving a note from Tugwell which Knight took as "a natural impulse to hit back" the Chicago professor sought to explain himself more clearly. The literature on planning, he insisted, insulted the convictions of many reformers like himself that through objective research and rigorous analysis, economics could prove a powerful engine behind their cause. As it was, the vogue for planning "has about destroyed the religion I have lived by through the years," Knight contended, "the faith that utterance which tries to say something will tend in the famous long-run to win out over that which tries to sound interesting and important." Knight felt "irritation, bitterness, mounting to anger" as he read the exhortations of the planners and claimed to have been justifiably provoked by the eloquent pleas "to join a glorious crusade - the concrete nature and purpose of which is to begin to be discussed after everybody has joined up!" While Knight admitted that the arousing of public interest did serve an important function, the problem was that it monopolised the discussion on planning to the detriment of any analytical, problem-solving approach. "Social discussion does require the two sorts of attack," Knight advised, "and it is important ... to keep the relations between the two in some sort of order." Overall, however, Knight believed that the moment was not

96. Ibid., 475.

propitious for planning, given that social and economic statistics in America were not developed, refined or full enough to merit it.<sup>97</sup>

Referring to their personal disagreement, Knight admitted deriving no pleasure from Tugwell's address. The oration challenged his fundamental confidence in economics as a discipline with accepted methodologies and standards. "I am fighting my best," he wrote, "not to give up that there is no distinction between sense and nonsense in economics other than the test of what sells in the changing whims of intellectual and literary fashion." Equally important were the ramifications of this growing schism in the economics fraternity between propagandists and empiricists, for if "two professors of economics cannot talk understandably, what chance is there for 'society' to reach the utmost minimum of like-mindedness requisite for any integrated organization?"<sup>98</sup>

Undoubtedly, the central planners' proposals did lack the necessary precision and detail. While they clearly favoured a planned economy with "control from the top", the nature of that control, the way it would be achieved and the objectives for which it was intended were left vaguely defined. The sponsors of particular plans admitted as much when they defended their proposals as "targets" and catalysts for further discussion.<sup>99</sup> Rexford Tugwell, who never proposed a specific plan, regretted that most so-called 'planners' were not entitled to the "contemporary familiarity" with which they employed "loaded phrases whose content is altogether unexplored". National planning could only assume reality when "serious study begins to replace enthusiasm", and to this end, Tugwell enquired of George Soule whether

97. Knight's emphasis.

98. Frank H. Knight to Rexford G. Tugwell, 23, 26 September, 3 October, 1932. Tugwell MSS: Box 2.

99. Beard, 'A Five-Year Plan for America', op.cit., 4. Chase, 'A Ten-Year Plan for America', op.cit., 1.

The New Republic was prepared to finance an investigation into the feasibility of applying planning approaches to the existing economic and governmental structure. "It is perfectly evident," Tugwell wrote, "that more careful and elaborate orientation is a necessary preliminary to any attempt at expansion or redirection."<sup>100</sup> Soule himself recognised in retrospect a basis for the collectivists' interest in national planning:

Brand-newness was good, since all we had known seemed to do us little service, and anyway we were sick of talking about the familiar. Change was good, since we didn't like what we had. Inevitability of change was particularly good, since it appeared to mean that we did not have to worry about effectuating the change.<sup>101</sup>

The sociologist, Eduard Lindeman believed that the word 'planning' had been degraded through misuse and had become "a mere symbol", while Wesley C. Mitchell, chairman of the Hoover committee on Recent Social Trends felt that the collectivists' appeals were premature. "The best which any group of economic planners can do with the data now at hand, bulky but inadequate, is to lay plans for making plans," he advised. "To work out schemes which could be taken seriously as a guide to production and distribution would require the long collaboration of thousands of experts from thousands of places."<sup>102</sup>

One other factor militated against the realisation of the national planners' aspirations - the attitude of the business community. Businessmen's reactions were important because of a fundamental paradox which belay the collectivists' position. Although many favoured ultimately the socialisation of the means of production and the direction of the economy through public agencies, their willingness to make

100. Tugwell, 'The Principle of Planning and the Institution of Laissez-Faire', op.cit., 76. Rexford G. Tugwell to J.R. Brackett, 11 April, 1931. Rexford G. Tugwell to George Soule, 22 October, 1932. Tugwell MSS: Boxes 1 and 2.

101. George Soule, The Coming American Revolution (London, 1934): 192.

102. Eduard C. Lindeman, 'Planning: Orderly Method for Social Change', The Annals 162 (July 1932): 18. Recent Social Trends, op.cit., 1:xxxi.

a short-term compromise with private interests made them reliant on the goodwill of the business community which was crucial to any central planning proposal which involved voluntary action. This support was not forthcoming at the Senate Committee on Manufactures hearing on the establishment of a national economic council in late 1931. Deprived of this influential support, the boom for nationwide, central planning was to dissipate as the less controversial alternative of trade associationism captured legislators' attention during 1932.

CHAPTER 5: THE MOVEMENT TO ESTABLISH A NATIONAL ECONOMIC COUNCIL,  
1931-1932: CENTRAL PLANNING AND THE PROBLEM OF CONSENSUS

Writing in April 1931 of the increased interest in the establishment of an economic council in the United States, Lewis L. Lorwin, an economist attached to Brookings Institution, reflected that "within six months it has pushed its way out of a vague subconscious into the open forum of public discussion and legislative consideration".<sup>1</sup> Lorwin himself had been a proponent of the creation of a central coordinating agency during the 1920s and had used the American Economic Association's annual conference at Chicago in 1928 as a platform to urge economists to promote the idea.<sup>2</sup> At Chicago, Lorwin predicted that within five to ten years national planning would be one of the "topics of the day", but by 1931 he recognised that his earlier prediction had been pessimistic and that the issue was already attracting excited concern. Lorwin attributed this to four factors: first, the ongoing concern about 'sick' industries which were unable to stabilise their operations unilaterally; second, the anxiety about technological unemployment and the likely continuance of this trend; third, the stock market crisis of 1929, and the subsequent depression which gave national planning "its longest push" by providing Americans with "a rude awakening from an economic trance", and finally, organised labour's support for a national economic council at its convention of 1930.<sup>3</sup>

Lorwin's enthusiasm at the prospects for the establishment of an economic council stemmed from the introduction of a bill by Sen.

1. Lewis L. Lorwin, 'A Federal Economic Council: Concrete Suggestions for a Program of Economic Planning', New Republic 66 (29 April, 1931): 294.
2. Paul H. Douglas, et al., 'Discussion: "The Russian Economic Situation"', American Economic Review 19 (March 1929): 120-122 (Supp.)
3. Lewis L. Lorwin, 'France-Germany Have Economic Councils', Journal of Electrical Workers and Operators, January 1931: 10.

Robert M. LaFollette, Jr., on 20 February, 1931, to achieve that purpose.<sup>4</sup> The measure was referred to the Senate Committee on Manufactures, a subcommittee of which, chaired by LaFollette, held hearings on the bill during October and December of the same year. The bill sought to create a National Economic Council composed of fifteen unsalaried members serving for four-year terms, sponsored by business, labour and agricultural organisations, appointed by the President and confirmed by Senate. The Council's duties would be to analyse economic trends, identify problem areas and formulate stabilisation measures. It would make its information and advice available to any private economic organisations which wished to use the Council's expertise, and deliver annual reports to the President and Congress with recommendations for necessary legislation or other action. The Council would have no mandatory powers other than the authority to summon witnesses to give testimony. "It is based on the theory that through cooperation, through the exercise of influence, some check upon unsound economic trends might be achieved," LaFollette explained.<sup>5</sup>

The establishment of a national economic council was one aspect of LaFollette's legislative programme to counter the depression which included federal unemployment insurance, increased public works expenditure, unemployment relief disbursed by the Federal Government and a

4. S.6215. Senator LaFollette's bill was not unique but received the most publicity and made the most progress. In the First Session of the 71st Congress, Reps. Louis Ludlow (Indiana), Thomas R. Amlie (Wisconsin) and Seymour H. Person (Michigan) introduced bills to establish an economic council or an industrial commission. H.R.5317, H.R.8933, H.R.9315.
5. Hearings, Establishment of a National Economic Council, op.cit., 599.



shorter working week. He was convinced of the need for Congress to assume the initiative given the absence of effective leadership from either the President or the business community. The administration lacked the will to act. "Timidity" had marked the course of Hoover's presidency "at a time when heroic courage and a bold frankness were necessary". Neither had the business community asserted effective leadership. Its response to the depression of production curtailment, redundancies and wage reductions, had only served to exacerbate the situation.<sup>6</sup> In the circumstances "emergency measures" were justified to conserve past social gains and protect future prospects. Central to a progressively increasing standard of living was the creation of a Council which would guide national economic development. The organisation would help to mitigate the fluctuations of the business cycle through its advice about those destructive economic trends responsible for booms and slumps. Had a Council been in existence during the 1920s, LaFollette believed that it would have detected overexpansion of industrial plant, stock speculation and maldistribution of income, and warned of the likelihood of an imminent depression.<sup>7</sup> "The Federal Government may be unable to prevent depressions," LaFollette admitted. "But when a depression is obviously approaching it is the duty of those in authority at Washington to put up the storm signals."<sup>8</sup> Like other collectivists, LaFollette was an experimentalist who offered no perfect blueprint for national planning. His bill was vague, and even evasive.

6. Press Release, 'Remarks of Robert M. LaFollette in Opening Round Table Discussion of Unemployment and Industrial Stabilization' - National Progressive Conference, 12 March, 1931. LaFollette Family MSS: Series C, Box 431 File, Progressive Conference, Remarks.

Robert LaFollette, Jr., 'The President and Unemployment', Nation 133 (15 July, 1931): 62.

7. Robert M. LaFollette, Jr., 'Progressive Statemanship in America', Speech at St. Louis, 13 November, 1931. LaFollette Family MSS: Series C, Box 555 File, Progressive Statesmanship.

8. Robert M. LaFollette, Jr., 'National Radio Forum Address', 14 March, 1932. Ibid, File, Speech Drafts, 1930-1932.

The role of the Federal Government in the Council was left undefined and the means by which the organisation would promote stabilisation remained unclear. It seems that suasion through expertise was the means by which LaFollette envisaged the Council would exercise influence. The central body would relay its information and advice to private and public agencies for them to act upon.

There was extensive preliminary preparation on behalf of the bill. LaFollette used the National Progressive Conference of March 1931, of which he was a sponsor, to develop his ideas. Although chairman of the Conference's subcommittee on public works, he involved himself in the discussions of the subcommittee on Planning for Stabilized Industry in the company of Stuart Chase, J.M. Clark, Lewis Lorwin, Basil Manly, Sumner Slichter, Edwin S. Smith, J. Russell Smith, George Soule and Leo Wolman.<sup>9</sup> LaFollette sought the advice of Conference members as to the timing and character of the hearings on his economic council bill and invited several to testify before the Manufactures subcommittee. Witnesses were carefully orchestrated beforehand through the offices of Catholic 'progressive' Dr. John Ryan, who acted as intermediary for LaFollette.<sup>10</sup> Although headline space in the press was dominated by the visit to the United States of the French Prime Minister, Pierre

9. 'Outline of Report agreed upon at meeting of subcommittee on Planning for Stabilized Industry', 5 June, 1931. Ibid., Box 431 File, Committee Correspondence. Bruce Bliven to George W. Norris, 6 January, 1932. Norris MSS:Box 69 File 12, A-I. The National Progressive Conference of 11-12 March, 1931, was summoned by the 'progressive' Republican bloc in Senate including LaFollette (Wisconsin), George W. Norris (Nebraska), Edward P. Costigan (Colorado), Bronson Cutting (New Mexico) and Burton K. Wheeler (Montana). Its purpose was to bring together 'progressive' economists, labour leaders and businessmen to formulate an alternative, remedial legislative programme for short-term economic recovery and long-term industrial stabilisation. A committee on Stabilized Industry was established which met throughout 1931 and published its eventual report in the New Republic in January 1932.

10. Robert M. LaFollette to Stuart Chase, Sidney Hillman, George Soule, Lee Wolman, 15 April, 1931. LaFollette Family MSS: Series C, Box 431 File, Committee Correspondence. Paul Wetfink to Robert M. LaFollette, Jr., 9, 13, 15 October, 1931. Ibid., Box 9 File, S-W, 1931.

Laval, and by the Japanese invasion of Manchuria, the LaFollette committee investigations generated considerable interest. Isador Lubin, LaFollette's assistant during the hearings, was gratified that over 2,000 copies of the hearings were distributed within two months and that the printing of several thousand more was justified.<sup>11</sup>

Outwardly, it would appear that LaFollette's bill had a fair chance of passage. In the first place, it was confessedly moderate, avoiding any implication of control over economic activity by the proposed Council. Second, the bill took as its model the planning precedents of two democratic nations, Germany and France, which established councils in 1920 and 1925 respectively, rather than the ideologically-alien practices of the Soviet Union. If other democracies could champion the idea of a central economic agency without sacrificing economic liberty for regimentation and private rights for public purpose, there seemed no reason why the United States should not follow their example. Finally, the bill's sponsors were confident that their measure would draw on a broad spectrum of influential support - amongst organised labour, the collectivist intelligentsia and the business community.

The Executive Council of the A.F. of L. included recommendations for the establishment of an economic council in its annual reports to the organisation's three conventions between 1930 and 1932.<sup>12</sup> In the summer of 1931, Federation vice-president, Matthew Woll called for an "American Industrial Congress", representative of all organised economic groups which would consider "a warm blooded ten year plan based on democratic realism", and a permanent institutional structure to give

11. Isador Lubin to Dr. Lawrence H. Seltzer, 23 April, 1932. Isador Lubin MSS: Box 6 File, Personal Correspondence 1924-1933, F.D.R.L.

12. Proceedings, 52nd Annual Convention, A.F. of L., 1930, op.cit., 61. Proceedings, 53rd Annual Convention, A.F. of L., 1931, op.cit., 81-82. Proceedings, 54th Annual Convention, A.F. of L., 1932, op.cit., 33-34.

the plan effect.<sup>13</sup> Labour's particular interest in national planning lay in the expectation that a planning agency would recognise the mutuality of interests between business and labour and promote mutually beneficial programmes. 'Advanced' spokesmen, such as Sidney Hillman, who had deserted the 'voluntarism' of Samuel Gompers, looked forward even to the regulation of working hours and wages under a national planning agency.<sup>14</sup>

The testimony of union representatives at the LaFollette hearings was generally favourable to the establishment of a national economic council. William Green regarded it as "a necessary step that should be taken as quickly as possible", while John L. Lewis found himself "in complete accord" with the objects of the legislation. Lewis believed that the council would be of "inestimable value" in providing objective analysis of economic problems and in formulating constructive programmes for both the private and public sectors.<sup>15</sup> Labour spokesmen stressed the need for vigorous leadership to overcome depressed business conditions and criticised the business elite for failing to respond effectively to economic challenges. "No leadership has come from industry, finance, or from any other source to which we have a right to look," Hillman charged, and the labour leader could see no prospect of any vigorous leadership emerging until definite responsibility for action was assigned. Industry's failure made it incumbent upon government to assume responsibility in initiating the planning process.<sup>16</sup>

13. Matthew Woll, 'Press Release' nd. Pres. Box 92 File, Business - Stabilization Plans June-July, 1931. H.H.L.

14. Hillman, 'Unemployment Reserves', op.cit., 668-669.

15. Hearings, Establishment of a National Economic Council, op.cit., 607; 624.

16. Ibid., 435.

Trade unionists expressed scant confidence in the trade association approach to planning. Not only was any approach to planning exclusively associated with the business community suspect in the view of labour, but the particular approach was flawed by its lack of comprehensiveness. William Green, while in favour of revision of the antitrust laws, felt that industry could not regularise production and employment on its own initiative because of the existence of factors which affected the economic situation and were outside of industry's immediate control. Labour leaders stressed the theme of interdependence between industries that would negate effective planning by individual industries. "The real problem confronting us affects all industries," Hillman asserted, "and it is not within the power of any industry to right itself."<sup>17</sup>

The LaFollette approach to planning had one further virtue for labour spokesmen: it permitted democratic participation in the planning process. The proposed economic council would permit a voice in determining economic policy to organised labour and other groups currently excluded from participation in the decision-making process. "The great need in this country is not so much the control of group interests over other group interests," David M. Robertson, the president of the Brotherhood of Locomotive Firemen and Enginemen, contended, "but the need is that every group of interests may know the relation of other group interests to its interest and be able to point out the dangers and injustices of policies of far-reaching effect which are promoted only to advance the selfish interests of one group." The alternative to democratic planning was the vesting of greater authority in already privileged groups which had not used their power for either the public welfare or their own long-term interests since the onset of the depression.

17. Ibid., 435: 601.

At worst, according to Sidney Hillman, any organisation of a national economic council based on other than democratic principles would lead to fascism.<sup>18</sup>

Central planning was crucial to the economic reforms demanded by the collectivist intelligentsia. Collectivists were dissatisfied with the Hoover administration's cautious anti-depression programme and sceptical of the proposals advanced by the business planners which relied on trade associationism. As LaFollette understood, they omitted control of important economic forces such as government fiscal, monetary and foreign trade policy which had a direct effect upon economic activity but which lay outside the control of industry itself.<sup>19</sup> Frances Perkins endorsed this viewpoint in her testimony before the Manufactures subcommittee. Discrete planning by independent units of production had been unsuccessful in promoting revival since individual efforts were continually bedevilled by extraneous factors: so futile had industry's efforts been that "one is almost tempted to make the flippant remark that the Government could not do it any worse".<sup>20</sup>

If the proposals of the business planners were implemented, the result would be detrimental to the public interest since it would be tantamount to 'planning for stagnation'. Collectivists believed that in their attempt to stabilise conditions, trade associations would limit output to the existing market at the existing price and would perpetuate poverty and unemployment.<sup>21</sup> A more satisfactory alternative was to promote the general welfare by enhancing the standard of living through

18. Ibid., 434; 438.

19. Ibid., 393.

20. Ibid., 140-141.

21. Testimony of George Soule, Ibid., 462. See also New Republic 68 (11 November, 1931): 338-339.

planning. As such, planning must be not only national in scope, but should consider aspects which went beyond or against the material interests of industrial stabilisation in order to advance the goals of security and leisure for the working man. Only a national economic council would have this breadth of vision and purpose to successfully effectuate planning for socially-desirable ends, and accordingly, The New Republic suggested that LaFollette's measure "overshadows in ultimate importance anything else which Congress may do".<sup>22</sup>

As for the functions of a national council, collectivists advanced deliberately moderate suggestions appropriate for a representative body with advisory powers. George Soule felt that it could begin by making regional studies of income level and industrial activity, locating 'problem' sectors and where necessary, considering schemes to rehabilitate such industries and the incomes of communities dependent upon them. Appropriate recommendations would be drafted for legislative consideration. The council would also endeavour to influence industrial production and investment. In consultation with major industries the council would formulate a long-term expansionist production programme with the objective of enlarging mass purchasing power while new investment would be regulated, not by fiat, but through recommendation and the publication of information on investment desirability and potentiality in specific sectors. Finally, the council would consider ways by which economic and social needs could be harmonised through government public works projects and housing programmes - "ways of meeting the fundamental demands of the population which were not being met under the ordinary stimulation of competitive business for profit,"

22. Ibid., 68 (16 December, 1931): 121.

Soule reflected.<sup>23</sup> Although the council's most valuable work would be of a long-term nature, it had an importance in the short-run since the mere existence of a central planning body composed of prestigious individuals would inspire confidence in businessmen, investors and consumers alike even before specific programmes had been formulated.<sup>24</sup>

Collectivists denied any radical intentions in their advocacy of central planning and emphasised the advisory and representative features provided for in the LaFollette proposal. However, for many collectivists the establishment of an advisory council was a preliminary stage which would be superceded by a mode of planning more public and mandatory in application, in which the Federal Government provided the directing force. Rexford Tugwell was not convinced of the utility of the advisory council provided for in the LaFollette bill. "An advisory council might guess, but it could not plan," Tugwell felt, "and the difference between guessing and planning is the difference between laissez-faire and social control." Without control, the council would be unable to eliminate uncertainty and be incapable of making both accurate predictions and the plans to fulfil them. Furthermore, Tugwell feared that the council would be hampered by favouritism and interest-group manipulation until it "will not dare call its soul its own, nor speak its mind in any emergency". Nevertheless, he regarded even the establishment of an emasculated and ineffective agency as a significant step which would serve as a focus for further progression and which would have consequences contrary to the expectations of sponsors of the council idea within the business community. "In spite of its innocuous nature, the day on which

23. Hearings, Establishment of a National Economic Council, op.cit., 461-462.

24. Guy Greer, 'A General Staff for Business: What it Could Do to Prevent Depressions', Outlook and Independent 156 (31 December, 1930): 718.



it comes into existence will be a dangerous one for business, just as the founding day of the League of Nations was a dangerous one for nationalism," Tugwell suggested. "There may be a long and lingering death, but it must be regarded as inevitable." Planning had an inexorable logic in which the ascendancy of government at the expense of private property rights would be the ultimate conclusion from such an inauspicious beginning.<sup>25</sup>

Others echoed Tugwell's sentiments about the LaFollette proposal. Stuart Chase described it as a practical beneficial "opening wedge" for planning and prophesied that "its provisions will be modified as evolution forces it .... The important thing is to begin."<sup>26</sup> Leo Wolman regarded the question of who was to establish the Council as being academic since any organisation created would eventually come under the aegis of the government. Government assistance would lead to regulation as business requested governmental sanctions to secure compliance in its programmes and ultimately, while Wolman did not envisage government control of industry, the Federal Government would become an initiating agency in its own right in the planning process.<sup>27</sup> George Soule was ambivalent about the degree of government intervention in national planning. While he recommended the creation of a Council with no administrative powers at the outset, Soule hoped that the nature of its advice to Congress would increase government's involvement in

25. Tugwell, 'The Principle of Planning and the Institution of Laissez-Faire', op.cit., 84-92. Idem, Discourse in Depression, op.cit.

26. Stuart Chase, The Campaign and Economic Planning: A Radio Address delivered on 10 May, 1932, over N.B.C. (Chicago, 1932): 6-7; 10. Idem, A New Deal, op.cit., 220.

27. Hearings, Establishment of a National Economic Council, op.cit., 293-294.

the economy, particularly in 'problem' sectors such as coal where nationalisation was appropriate.<sup>28</sup>

Collectivists accepted what they considered to be an unsatisfactory planning measure in the expectation that, with time, the economic council would more nearly conform to their own ideas of national planning. The inability of an advisory council to plan effectively would thrust the Federal Government into a more prominent role within it and as public participation increased so would the elements of coercion that were absent in LaFollette's voluntary measure. Businessmen were not blind to such possible consequences arising from the establishment of a national economic council and it was this fear of eventual government domination of the agency that prevented wholehearted business support for LaFollette's measure. Without an enthusiastic business consensus behind the bill, it had little chance of enactment.

The movement to establish a national economic council or commission was supported by various elements of the business community whether as individuals, formal organisations or ad hoc groupings. The crux of their position was that an advisory council, sponsored by government but staffed by representative groups from the private sector could foster stable business conditions by publicising the results and recommendations of its researches. In conjunction with reform of the anti-trust laws, the council would seek to further industrial coordination and cooperation to achieve a 'balanced prosperity'.

This was the goal of the American Institute of Industrial Coordination, brainchild of magazine editor, B.C. Forbes and Benjamin Javits. The Institute sought to popularise the need for antitrust law reform and the creation of an Industrial Coordination Commission under federal

28. Ibid., 461-463.

auspices. Manny Strauss, president of the Bankers' Industrial Corporation, was chosen as chairman of a Special Advisory Committee which held its first meeting on 5 March, 1929, in Washington, D.C. attended by a small but "representative" group of industrialists, labour leaders and economists.<sup>29</sup> As chairman Strauss wrote to Hoover's secretary in offering his help to organise a national Commission, the aim of such an agency would be to "stabilize prosperity" and "eliminate the high and low peaks in the employment situation".<sup>30</sup> Javits seized the opportunity presented by the stock market Crash to request that Secretary Lamont summon a conference to create an organisation representative of all functional groups in industry and which would be devoted to "the gradual spreading of prosperity and the eventual elimination of poverty, ignorance and disease through industry".<sup>31</sup> Hoover's White House conferences gave encouragement that the President sympathised with the method of industrial coordination and Javits advised him to consider antitrust revision to supplement "the forward movement of team-play" which had been inaugurated.<sup>32</sup> While the Institute of Industrial Coordination became moribund after 1929, Javits continued to urge Hoover to "mobilize" a "Congress of Industry". The failure of the White House conferences, he wrote in 1931, had been a "terrible blow" which the President had not deserved and was due to the "ignorance

29. 'Minutes of Conference of Special Advisory Committee on Industrial Coordination', 5 March, 1929. Benjamin A. Javits to George Akerson, 25 July, 1929. Pres., Box 334 File, Unemployment Correspondence. H.H.L.

30. Manny Strauss to George Akerson, 9 July, 8 August, 1929. Ibid.

31. Benjamin A. Javits to Robert P. Lamont, 4 November, 1929. Ibid., Box 336 File, Unemployment Correspondence.

32. Benjamin A. Javits to Herbert Hoover, 29 November, 1929. Ibid., Box 92 File, President's Business Conference.

or selfishness" of business leaders who had not comprehended the needs of the time. Nevertheless, Javits was confident that subsequent experience had converted the business leadership to reason and any renewed effort by the President would meet with greater success.<sup>33</sup>

The depression inspired numerous calls from business spokesmen for the establishment of economic councils. Nathan B. Williams, former counsel for the N.A.M., suggested that a series of economic councils be instituted to liaise between industries and government, while Paul Mazur preferred a unitary body which he hoped would evolve "to the same position in the treatment of economic problems that the United States Supreme Court has attained in the treatment of legal matters".<sup>34</sup> Two prominent executives of trade associations in the steel industry, Charles F. Abbott and Granville P. Rogers, gave their approval to the establishment of a central economic agency in 1930. Abbott called for an "impartial jury of competent men" drawn from business, labour and professional economists which would make an intensive study of economic trends and publicise its findings for industry - mobilised in trade associations - to act upon.<sup>35</sup> Rogers envisaged that an economic council would rest at the apex of a tier system of business organisation, the lower levels of which would comprise trade associations. The council itself would be staffed by trade association executives and would work

33. Benjamin A. Javits to Herbert Hoover, 18 December, 1931. Benjamin A. Javits to Lawrence Richey, 31 December, 1931. Ibid., Box 336 File, Unemployment Correspondence.

34. Nathan B. Williams, 'Advisory Councils to Government', The Annals 147 (January 1930): 146-149. Paul Mazur, New Roads to Prosperity: The Crisis and Some Ways Out (New York, 1931): 138-143.

35. Iron Trade Review 86 (24 April, 1930): 58.

through these organisations to effectuate proposals aimed at remedying business problems such as excess capacity and 'cutthroat' competition.<sup>36</sup>

Specific proposals were advanced by two allies of the business community in politics and education, William Gibbs McAdoo and Wallace B. Donham. In an address before the Economic Conservation Committee of America at San Francisco on 4 June, 1931, McAdoo urged the creation of a "peace industries board" to stabilise conditions in industry and agriculture, prevent waste in industry and relieve unemployment. McAdoo's recommendations closely paralleled those of LaFollette's. The board would be representative in nature drawing its membership from business, industry and commerce, agriculture and labour, and would serve in a purely advisory capacity having no mandatory authority except the power to summon witnesses and investigate any industry it chose. McAdoo suggested specific and general objectives for the agency. In the first instance it would consider proposals to rectify imbalance that had occurred between production and consumption and second, would seek to discover a "new formula for human needs" in which industry would be "devoted primarily to supplying human needs, and secondarily, to profits". To secure the support of industry and facilitate implementation of the board's recommendations, Congress would provide relief from the antitrust laws to facilitate cooperation through trade associations.<sup>37</sup>

McAdoo was reluctant to publicise his recommendations since he recognised that President Hoover had "gone to an extreme" in appointing ineffectual committees and boards. However, while appreciating that

36. Ibid., 86 (8 May, 1930): 64.

37. New York Times, 5 June, 1931.

his proposal lacked substance and required elaboration, he was moved to action by his conviction that serious consideration of "fundamental changes in the existing order" were necessary and that his initiative might provoke meaningful discussion.<sup>38</sup>

Dean Donham developed his proposals for the creation of an "Economic General Staff" during 1931 and 1932 in his two major works Business Adrift (1931) and Business Looks at the Unforeseen (1932). The Staff would constitute a "central thinking agency" which would anticipate the evolution of economic trends and suggest mechanisms to facilitate adaptation and insulate or compensate groups affected by economic change. Composed of representatives of government, business and labour, the Staff would make recommendations for the consideration of the Federal Government and a Business Congress chosen by and responsible to leading industries and trade associations. Once the agency's recommendations were approved by government and business they would be put into effect by trade associations which would ensure conformity within their particular industries. To facilitate effective trade association activity, Donham recommended reconsideration of the antitrust laws.<sup>39</sup>

Donham's reluctance to vest his central agency with broad authority stemmed from his concern to preserve individualism and his convictions about the stultifying effects of bureaucracies. Successful planning depended upon "whether or not we can set up a group of really able men without power to enforce their views". Power would entail the

38. William Gibbs McAdoo to George W. Armstrong, 8 June, 1931. William Gibbs McAdoo to Raphael Herman, 10 June, 1931. William Gibbs McAdoo to Bernard Baruch, 10 June, 1931. William Gibbs McAdoo MSS: Box 359. Library of Congress.

39. Donham, Business Adrift, op.cit., 126-176. Idem, Business Looks at the Unforeseen, op.cit., 49-50.

creation of bureaucracies with their inherent conservatism and stifling effect on individual initiative. Hence, whatever influence was exerted necessarily should not be coercive, but "through the weight of conclusions".<sup>40</sup>

Bernard Baruch added his imprimatur to the cause of central planning in an address at a reunion dinner of W.I.B. staff-members in November 1931. While Baruch rejected any resurrection of the wartime agency for peacetime purposes, he endorsed the central planning approach and recommended the creation of two central agencies to promote it. An advisory economic council and a "high court of commerce" would work in tandem to stabilise business conditions. While the council would forecast and make recommendations for business to act upon, the court - which Baruch envisaged as a division of the F.T.C. - would specifically address itself to promoting stability in problem areas of the economy. Baruch advised that the court be empowered to grant licenses in sectors where overproduction or uneconomic competition was prevalent in order to enable firms to maintain an effective control over output through cooperation.<sup>41</sup>

This groundswell of business support for a national economic council was reinforced by the report of the U.S. Chamber of Commerce Committee on the Continuity of Business and Employment, published in October, 1931. In compiling its report, the Committee circularised a questionnaire to leading trade association executives to ascertain their opinions of a National Economic Planning Board. Of the small percentage replying (19%) the majority were favourable, but stipulated that while representative in character, the Board should be established

40. Wallace B. Donham, 'Can Planning be Effective without Control?', The Annals 162 (July 1932): 5.

41. New York Times, 12 November, 1931.

by business rather than government. Chamber members also insisted that the Board should work in conjunction with trade associations and that the antitrust laws be modified to facilitate the enactment of the Board's programmes.<sup>42</sup> In the event, 81% of the Chamber's voting membership endorsed the creation of a central planning agency in the referendum on the Committee's recommendations, thereby determining official Chamber policy.

Business sympathy for an economic council did not extend to support of the proposals of the collectivists for central planning. Spokesmen objected that collectivists' schemes were too derivative from the Soviet experience and would jeopardise liberty, independent initiative and property rights if implemented. Also they claimed that the proposals were unsubstantiated, impracticable and threatened to diminish the credibility of all forms of industrial planning by association in the popular mind. Barron's decried the outbreak of "pink rash" that had emerged from the interest of some extremists in Russian economic planning, while Forbes believed that the Russian example acted as "a bogey man to stimulate action through fright". Individual plans were condemned for their thoughtless borrowing from the Soviet experience and their disregard for the threats to liberty that such copying posed. Of the Beard Plan Barron's reflected that "it borrows everything from Russia except the firing squad - and it will have to borrow that also to go over in a big way". The collectivists' appeal to the American planning tradition in the form of the War Industries Board was false, since the circumstances in peacetime were entirely different. "Only in the remotest figurative sense are we at war with anything or anybody now,"

42. 'Replies to Questionnaire on National Economic Planning Board', Memorandum from Julius H. Barnes to Herbert Hoover, 4 September, 1931. Pres., Box 95 File, Chamber of Commerce of the U.S. H.H.L.



Barron's contended. Even if national planning was desirable and acceptable as an ideal, it would be unfortunate if it was considered on the "unsound, impractical and deadening" grounds provided by the collectivists which promoted "political agitation" rather than disinterested deliberation. In sum, the collectivists' proposals were empty, potentially dangerous and counter-productive in terms of effecting national planning. "As rhetoric these calls to arms are excellent," Barron's commented, "and pure rhetoric, unfortunately, gets us nowhere."<sup>43</sup>

Business support for an economic council was conditional. The most significant qualification was that the role of government should be minimal. Collectivists were not alone in appreciating the likelihood of progressively greater governmental involvement in its proceedings. However, unlike the collectivists, businessmen regarded the prospect with distaste. In an essay of 1932, Alfred P. Sloan, president of General Motors, warned that the creation of a national economic council might lead to increased government intervention in the affairs of industry. While he conceded that the suggestion of economic planning through a central agency was not "bootless", he was adamant that any organisation established be staffed by a small number of individuals, successful in their fields and who had a direct responsibility to industry. "I should like to see the problem approached from the standpoint of industry in Government - not from the standpoint of Government in industry," Sloan asserted. If an economic council provided an "entering wedge" for political control of industry, the organisation would become "a distinct liability".<sup>44</sup> Business spokesmen insisted

43. Barron's 11 (26 January, 1931): 16; Ibid., 11 (29 June, 1931): 16; Ibid., 12 (30 May, 1932): 14. Forbes 28 (1 July, 1931): 9. Warren Bishop, 'The Rain of Plans', Nation's Business 19 (August, 1931): 35-36; 102-103.

44. Alfred P. Sloan, Jr., 'Common Sense and Common Nonsense', in Crowther (ed.), A Basis for Stability, op.cit., 68-69.

that any council should remain within the orbit of business and were reluctant to grant representation to other groups outside of the business community. A related concern was that the council should have no mandatory authority but rather be advisory in character. The prospect of a council with coercive power which was vulnerable to government expropriation was threatening to the business community.

Although the LaFollette bill made no explicit provision for government representation on the Council and provided it with no mandatory authority, business spokesmen were sensitive to long-term tendencies. The Commercial and Financial Chronicle questioned the prospective role of government and suggested that its power would increase with time until the advisory body became transformed into a legal entity with the authority to enforce its opinions. If the advisory body proved ineffectual "the great danger is that there shall soon come a demand that 'teeth' be put into the 'Council'," the journal editorialised, at which point the agency would "tear and rend" the economic fabric.<sup>45</sup> Barron's warned that although the bill appeared "innocent" by limiting the Council to advisory functions, businessmen's experience with other commissions, such as the Interstate Commerce Commission, invited circumspection. Past experience demonstrated how such agencies could acquire authority and pose threats to private property interests, and businessmen should exercise caution towards the LaFollette proposal in case it was "another plot to steal away the little liberty still left".<sup>46</sup>

Business spokesmen stipulated also that any economic council should work in conjunction with trade associations which would effectuate

45. Commercial and Financial Chronicle 133 (24 October, 1931): 2652-2654.

46. Barron's 11 (28 December, 1931): 14.

the recommendations of the central body and would remain under the jurisdiction of businessmen themselves. As such, this enjoining of trade associationism and central planning had practical and political connotations. It was both a means of providing a mechanism to effect planning programmes and to ensure that the planning process remained in the control of the business community. Electrical World, for example, believed that the LaFollette bill was flawed because the economic council could state principles only and had not the means to apply and enforce them. "Stabilization is not only a matter of theory or principle," the journal advised, "it requires direct and competent business action by business men." To rectify this shortcoming legislators should consider incorporating the Swope Plan into the economic council bill, staff the council with trade association executives and use their organisations to advance a practicable programme of business stabilisation.<sup>47</sup>

These reservations about the role of government, the powers of the council and the role of trade associations were advanced repeatedly by business witnesses before the Manufactures subcommittee. LaFollette encountered no chorus of approbation for his bill from the business community, despite the expressed sympathy of many spokesmen for a similar agency. Clearly, the reservations of businessmen weighed more heavily than their enthusiasm, and instead of using the hearings to further the cause of central planning through an economic council, they seized the opportunity to promote a planning approach which they considered more congenial - trade associationism.

Few representatives of business gave their unqualified approval to the LaFollette proposal. Paul Mazur, George J. Anderson and Charles F. Abbott were amongst the most sympathetic witnesses. Mazur reiterated

47. Electrical World 98 (7 November, 1931): 814.

his support for a national planning agency revealed in his published works. Anderson, president of the Consolidated Coal Co., was convinced by his experiences in the coal industry that there was an urgent need to educate and form public opinion on economic issues and that an economic council could perform such a function. Abbott believed that an economic council would be "invaluable" in formulating programmes to apply to sectors which suffered from excess capacity such as steel construction. These witnesses displayed an impatience with the ongoing depression and the inability of business and political leadership to discover solutions.<sup>48</sup>

At the other extreme, a minority of witnesses confessed outright opposition to the LaFollette bill. The Washington Daily News noted that bankers were particularly "cold to the national economic council idea".<sup>49</sup> Bankers' opposition proceeded from a respect for 'classical' economics and a concern that planning would interfere with natural economic forces and inhibit revival. Charles E. Mitchell, chairman of the National City Bank argued that the experience of depressions since the Civil War and the inevitable outcome of revival warranted no departure from established economic principles during the current crisis. Moreover, major depressions had their sources in war rather than in any defects of the business structure and Mitchell suggested with irony that the most valuable function an economic council could perform was to abolish war and its deleterious economic consequences. Previous efforts at regulating the economy had been pyrrhic. "Time and again," Mitchell asserted, "it has been proved that well-intentioned efforts to stay the pressure of economic readjustment have only made

48. Hearings, Establishment of a National Economic Council, op.cit., 424; 476; 693-696.

49. Washington Daily News, 2 November, 1931.

matters worse." Planning threatened to handicap the exercise of initiative and enterprise in industry, the central dynamic of American economic progress and the surest hope for revival from the depression. At best, planning could purchase stability but only at the expense of progress and an advancing standard of living. "This is the dilemma of any system of central planning," Mitchell reflected. Melvin Traylor, president of the First National Bank, Chicago, shared the same fears for individual enterprise under a system of central planning and had similar reservations about the consequences of government intervention. Traylor pointed to the failure of the Federal Farm Board to stabilise agricultural output by crop yield forecasting and was "frankly skeptical" that a national economic council could succeed for the wider economy if it employed the same methods. W.W. Stewart, chairman of Case, Pomeroy and Co. was unhappy about previous efforts by government to "tinker" with the economy through the planning initiatives of individual agencies. Chairman LaFollette enquired sardonically whether "the cure for the results of this tinkering is tinkering on a larger scale". "I should hope not," the banker replied. "I should rather see abandonment." The pessimism of the bankers about the value of an economic council was captured by Albert C. Wiggin, chairman of the Chase National Bank. Asked if anything could be done to prevent serious fluctuations of business activity, Wiggin replied:

I do not think so. A man only lives so many years and his experience lasts with him so many years. New generations succeed and they will make the same blunders in the next generation and succeeding generations as were made in the first.

LaFollette branded Wiggins' testimony as "a counsel of despair".<sup>50</sup>

Between the extremes of approval and hostility to the LaFollette proposal were the bulk of the business witnesses whose support for the

50. Hearings, Establishment of a National Economic Council, op.cit., 372-373; 424; 476; 693-696.

bill was qualified by a concern about the ultimate extent of government involvement or by a preference for the trade association approach to planning.

Concern about government encroachment on the functions of an economic council was not unanimous among business witnesses. Ralph Flanders welcomed a prominent role for government out of his conviction that public works were crucial to any successful planning which the council might contemplate, while Benjamin Javits regarded government participation as indispensable for the expertise that could be utilised through the various governmental agencies and the prestige that the council would acquire through the government's very association with it.<sup>51</sup> However, this was a minority opinion. Even sympathetic witnesses such as Henry Harriman and the textile manufacturer Henry P. Kendall had reservations about government's role. Kendall insisted that government's activities be restricted to collecting, collating and publishing national economic statistics. Any regulation of business by the council was undesirable. Harriman preferred a council independent of government, appointed and financed by business and dependent for its effect on the prestige of its members.<sup>52</sup> Alfred Sloan warned that any agency created should not promote "government getting into business". "I think that industry has got brains enough to solve its own problems, when it appreciates them," Sloan continued. "I think when the Government gets into business it is a dangerous thing."<sup>53</sup>

Business witnesses expressed their reservations about government's role in three ways. First, they stressed that any council must be advisory in nature; second, they warned of the proliferation of

51. Ibid., 243-244; 544-549.

52. Ibid., 172-173; 412-413.

53. Ibid., 380-381.

bureaucracy if government assumed a leading role and third, they haggled over representation on the economic council, expressing a preference for a business-dominated body.

Business spokesmen were adamantly opposed to any form of control that might be exercised through the economic council. Henry Harriman reiterated the Chamber's official position that the council have no executive authority, Benjamin Javits conditioned his support for the bill in that "there is nothing mandatory about it in any sense" and Wallace Donham, while convinced of the need for national planning, resented any implication of control as "the next step to sovietism".<sup>54</sup> Regulation or control would result in a proliferation of bureaucracy, with inevitable increases in taxation and government inefficiency, the stultification of entrepreneurial initiative and violations of property rights. Daniel Willard, president of the Baltimore and Ohio Railroad, was "indifferent" to the LaFollette proposal and its utility to industry, but sensed inherent dangers in the bill. Even if modestly confined in its functions to fact-finding, there were too many government departments already providing economic information. One more would merely add to bureaucratic confusion and burdens on the public treasury. Furthermore, close and compulsory scrutiny of private records by a national economic council was an unwarranted invasion of property rights and a symptom of "big Government". For his part, Henry Kendall feared the perpetuation of bureaucracy if the council was invested with regulatory power. His fear was that while the agency might be responsibly and ably staffed during the economic emergency, once revival was underway the council would attract individuals of lesser calibre who would retain considerable

54. Ibid., 172; 273; 547.

power over private enterprise.<sup>55</sup> Commenting editorially on the hearings, The New York Times was unconvinced that a national economic council would contribute anything more than those agencies already in existence and would constitute merely "another advisory commission which could not possibly know as much about the problems of different industries as the men who actually manage them".<sup>56</sup>

Witnesses who favoured the establishment of a council emphasised that it should have close links with business. Unease was expressed at the suggestion proposed by collectivists and organised labour that the council should be genuinely representative in character, drawing on expertise outside of business. Henry Harriman and John Fahey advanced the Chamber's view that the council should be organised and financed by business. Gerard Swope felt that the council's members should be nominated by trade associations, while Alfred Sloan believed that the council's fortunes would depend on the industrial experience of its members and he recommended the appointment of individuals who had "responsibility of big industrial organizations".<sup>57</sup> Even those witnesses who granted representation to other groups, such as Wallace Donham or Henry Kendall, provided for industrial organisations to work in tandem with the central body.<sup>58</sup>

The overall attitude of business witnesses before the LaFollette committee was "interested but skeptical", The New York Times reported.<sup>59</sup> For many businessmen who appeared before the committee, it would appear

55. Ibid., 394-400; 407. See also the testimony of W.W. Stewart, 452-453.

56. New York Times, 2 November, 1931.

57. Hearings, Establishment of a National Economic Council, op.cit., 165; 312; 382; 486.

58. Ibid., 279-280; 414-415.

59. New York Times, 2 November, 1931.



that their primary aim was to use the hearings as a forum to promote liberalisation of the antitrust laws to facilitate the activities of trade associations. Witnesses such as Charles Abbott, Roscoe Edlund, Henry Harriman and Gerard Swope, while sympathetic to an economic council, stressed the role of trade associations in economic planning. Abbott favoured changes in the antitrust laws to enable compulsory membership of trade associations and a system of federal licensing to ensure compliance to the organisation's directives. Swope, Harriman and Edlund regarded trade associations as providing the foundations on which the economic council would be based and a "two-way bridge" between the central planning agency and the various industries. Harriman was clear that successful planning could not be accomplished without resort to industrial cooperation through trade associations and suggested that modification of the antitrust laws would do "more to put business on a sound basis than any other thing that could happen today".<sup>60</sup> James A. Farrell, president of U.S. Steel and Clarence Woolley, chairman of the American Radiator Co., although cool to a national economic council, believed that antitrust revision would result in advantages for industrial stabilisation.<sup>61</sup>

The lack of enthusiasm displayed by businessmen for the LaFollette bill provoked the scorn of collectivists. The Nation was disappointed that, apart from experimentation with the antitrust laws, businessmen had presented no tangible proposals to achieve economic recovery. "Their attitude was that business should be allowed to take care of itself," the journal editorialised, "which, of course, is what business has been doing for many years with the results we see all about us."<sup>62</sup> Writing

60. Hearings, Establishment of a National Economic Council, op.cit., 167; 170; 308-309; 312-313; 473; 702.

61. Ibid., 346; 351; 599.

62. Nation 133 (11 November, 1931): 502.

for the same magazine, Robert S. Allen regretted that businessmen had displayed an unregenerate conservatism since their "outcry ... against government-controlled economic planning was practically unanimous".<sup>63</sup> Isador Lubin, LaFollette's research assistant, expressed dismay at the ignorance of the business and financial leaders who appeared before the committee. "By and large," Lubin wrote, "they knew almost nothing about what was happening." Lubin explicitly condemned James Farrell, Albert Wiggin and Charles Mitchell, attributing their success to "luck and pull" and regarding himself as "a pretty smarty guy as compared with some of those dumbbells". As long as men of such a stripe remained important in economic decision-making, Lubin doubted that innovatory ideas had any chance of adoption.<sup>64</sup> As for representatives of the Chamber of Commerce, Lubin confessed that he had little faith in the sincerity of their conversion to 'planning'. He was sceptical of the Chamber's willingness to establish an economic council on its own initiative despite the mandate from its members. One major consideration was that the Chamber did not have the resources to finance a project which required highly-qualified personnel with appropriate salaries. Lubin suspected that, at best, a "paper organization" would be established or "some board which will drop in on the Chamber every now and then and add its signature to such things as may be gotten together by the staff of the Chamber".<sup>65</sup>

Although LaFollette reintroduced his bill after the conclusion of the hearings and other attempts were made by advocates in 1932 to revive enthusiasm for an economic council, no specific proposal was debated in

63. Robert S. Allen, 'Business Talks', Nation 133 (25 November, 1931): 565.

64. Isador Lubin to Professor Joseph Willits, 23 March, 1932. Isador Lubin to Mrs. Joseph Gilbert, 12 March, 1932. LubinMSS: Box 6 File, Personal Correspondence 1924-1933.

65. Isador Lubin to Roscoe Edlund, 2 February, 1932. Ibid.

Congress. The reluctance of the business community to give wholehearted support to LaFollette's measure appears to have been critical to its fortunes given the unwillingness of the Hoover administration to endorse the bill. Hoover indicated an interest in establishing a national planning organisation during his address to the Chamber of Commerce on 1 May, 1930, when he suggested the creation of an agency representative of business, labour, agriculture and professional economists which would investigate means of achieving economic recovery and ensuring long-term economic growth.<sup>66</sup> However, Hoover seems to have withdrawn from this position during 1931 and 1932 with the result that no encouragement for LaFollette was forthcoming from the administration.

P.E.C.E. officials noted the publicity generated by the advocates of a national economic council during the summer of 1931 but disapproved of the idea. The organisation's secretary, E.E. Hunt felt that such schemes were based on false assumptions. In the first place, the economy was not homogeneous but so intricate and variegated that it would not be possible for a single agency to comprehend all of its detail and ramifications. Secondly, central planners assumed that the "intermediate machinery" existed for putting into practice the recommendations of the planning agency throughout industry, when no organisations or agencies had been developed for such a purpose. There were practical difficulties also, such as the problem of providing adequate representation for the diverse interests in the economy without making the council "unwieldy". At most, Hunt could envisage economic councils established for specific regions or industries and accepted that for particular problems ad hoc commissions were "excellent" economic planning

66. State Papers, op.cit., 1: 295.

vehicles.<sup>67</sup> W.J. Barrett of the Industrial Division echoed these sentiments to trade association executives in July 1931. It was unlikely that national planning would "spring forth full blare" because responsible parties appreciated that any agency would be dependent for its success on the efforts of individual industries and trade groups to devise plans for their specific sectors. It was the administration's priority to "stimulate plans within these groups towards taking care of the long-range problem" rather than adopt a generalised and utopian national planning perspective.<sup>68</sup>

Hoover's own attitude to the establishment of a central planning agency is illustrated by his reaction to the attempts of the American Legion to revive the Council of National Defense, a government agency created by act of Congress on 29 August, 1916 during Wilson's preparedness drive, but moribund since 1921.<sup>69</sup> During 1931, Howard E. Coffin of the First National Bank, Detroit, and an original Council member, sought to revive the agency for peacetime purposes. In July, he advised Hoover of the parallels between the depression and the Great War,

67. E.E. Hunt to Mr. Kerlin, 21 May, 1931. R.G.73 Series 1 File, Edward E. Hunt, Chronological Files.

68. 'Report of Trade Association Executives' Meeting', 15 July, 1931. Ibid., Series 7 File, Trade Association Executives' Meeting.

69. The Council was composed of cabinet members and an advisory commission of representatives from industry, labour, science and medicine. It was charged with "the coordination of industries and resources for the national security and welfare" and each member was chairman of a subcommittee for some section of industry, finance or social work. The Council liaised with government departments and its subdivisions at State level and reported directly to the President. Once the United States had become involved in the war, the Council voted to establish the War Industries Board on 8 July, 1917, in which Council members assumed prominent positions. The Act of Congress of 1916 could be reinvoked by proclamation of emergency and without further legislation. Soule, Prosperity Decade, op.cit., 10-12.

describing the current situation as "even more fraught with potential disaster than was that emergency". Coffin urged Hoover to resurrect the Council of National Defense for which the enabling statute was still in effect. Its purpose would be to coordinate government agencies with private organisations in an effort to produce economic recovery.<sup>70</sup>

In September, Coffin's initiative was reinforced by the American Legion. During its annual national convention at Detroit a resolution was adopted by the organisation that the government resuscitate the Council and the Resolutions Committee petitioned the President to give the matter his "serious consideration".<sup>71</sup> The issue was revived in May of the following year after an address by Hoover in which he called for a renewal of wartime purpose. The President's remarks moved Gen. Albert L. Cox, chairman of the defence committee of the American Legion, to draw up a petition containing 88 signatures of prominent figures from industry, finance, labour and the professions to request the reinstatement of the wartime organisation. "A national emergency of the first magnitude exists," the petition stressed, "it needs emergency treatment."<sup>72</sup> The name of the agency mattered less than that the "aggressive offensive against the spiritual slump" begin as soon as possible, Coffin asserted.<sup>73</sup>

70. Howard E. Coffin to Herbert Hoover, 2, 3 July, 1931. P.P.F., Box 18 File, Coffin, Howard. H.H.L.

71. Harry M. Arthur to Herbert Hoover, 26 September, 1931. James F. Barton to Herbert Hoover, 20 October, 1931. Pres., Box 350 File, U.S. Council of National Defense. H.H.L.

72. Albert L. Cox to Herbert Hoover, 10 June, 1932. Ibid. New York Times, 11 June, 1932. According to the Times "the most important businessmen in the country" signed the petition. This was an exaggeration, especially since some of the names were found to have been used without the individuals' consent. However, prominent figures did sign the petition: Howard Coffin, Edsel Ford, William Green, Virgil Jordan, Fred I. Kent and Matthew Woll included.

73. Howard E. Coffin to Herbert Hoover, 12 June, 1932. Pres., Box 350 File, U.S. Council of National Defense, H.H.L.

Hoover rejected any revival of the wartime agency for emergency peacetime purposes and was reinforced in his decision by the correspondence of ex-Council members such as Daniel Willard who expressed no sympathy for the Legion's objectives.<sup>74</sup> In defence of his decision, Hoover cited arguments intrinsic to the Defense Council and others that questioned the necessity of adding a further agency to the federal bureaucracy. In the first place, the President denied that the law creating the Council allowed it the authority to have any influence on the current economic situation.<sup>75</sup> It would be inappropriate, anyway. "Every problem requires its own organization to fit its own time and period," Hoover advised Howard Coffin, "and the Council of National Defense is in no wise fitted to this present emergency."<sup>76</sup> Also, since the Council was largely composed of Cabinet members, its reinstitution would place additional duties on government officials already overburdened with responsibility.<sup>77</sup> The restoration of the agency might do more damage than good. Hoover warned of creating "a state of public alarm" which would undermine the climate of confidence that the administration had attempted to cultivate.<sup>78</sup>

Hoover also objected to any enlargement of a distended federal bureaucracy. "I have never felt that our need is for more committees and commissions in Washington," he wrote in May 1932.<sup>79</sup> The expertise

74. Daniel Willard to Herbert Hoover, 17 May, 1932. Copy of President's Press Release, 12 June, 1932. Ibid.

75. Herbert Hoover to James F. Barton, 23 October, 1931. Herbert Hoover to General Albert L. Cox, 10 June, 1932. Ibid.

76. Herbert Hoover to Howard E. Coffin, 13 June, 1932. Ibid.

77. Herbert Hoover to Harry M. Arthur, 29 September, 1932. Ibid.

78. Herbert Hoover to Howard E. Coffin, 10 July, 1931. P.P.F., Box 4 File, Coffin, Howard. H.H.L.

79. Herbert Hoover to F.N. Shepherd, 25 May, 1932. Pres., Box 350 File, U.S. Council of National Defense. H.H.L.

and organisation in existing government departments, agencies and particularly, P.O.U.R., would be merely duplicated by any new agency.<sup>80</sup> Hoover charged Coffin with failing to appreciate the extent of the organisation already functioning in Washington and throughout the country in the administration's attempt to halt the depression, and emphasised that the establishment of another agency "would add a fifth wheel to an already much taxed coach".<sup>81</sup>

While Hoover never addressed himself directly to the LaFollette proposal for the creation of a national economic council, his attitude to the Defense Council leaves no doubt that he was satisfied that an additional planning organisation would be extraneous to the government agencies currently in operation and perhaps, would create more damage and confusion than it would serve a positive good. Denied executive support and handicapped by the reservations of the business community, the movement to establish a national economic council ebbed during 1932 as the trade associationism alternative to planning began to occupy legislators' attention. Central planners could claim no consensus behind their proposals and rely on no support from the President and little from the business community. While Hoover was concerned about the strain that another agency would put on federal resources, the business community feared that it would become another vehicle for government intervention in private enterprise. Both President Hoover and the business community favoured alternative approaches to planning and efforts were made during 1932 to implement these successfully.

80. Herbert Hoover to Daniel Willard, 20 May, 1932. Ibid.

81. Herbert Hoover to Howard E. Coffin, 13 June, 1932. Ibid.

CHAPTER 6: THE MOVEMENT TO REVISE THE ANTITRUST LAWS, 1931-1932:  
TRADE ASSOCIATIONISM IN ABEYANCE

The revision of the antitrust laws had been a goal of business organisations during the 1920s and was pioneered by the National Civic Federation during the first sixteen months of the depression.<sup>1</sup> However, the revision movement reached its most energetic phase after October 1931, in the wake of the Swope Plan and the Chamber of Commerce's Report on the Continuity of Business and Employment, both of which drew widespread attention to antitrust law reform. During late October and early December, both New York and Columbia Universities hosted conferences on the relation between the antitrust statutes and business trends in which leading figures from business, education and law participated.<sup>2</sup> Most significant, during the ensuing First Session of the 72nd Congress (7 December, 1931 to 16 July, 1932), some thirty bills and resolutions were introduced on the subject. Revision received considerable coverage and comment in the daily and journal press. Even Collier's, a magazine whose emphasis was literary rather than economic, used its editorial space to condemn "the law that went wrong" and demanded its modification.<sup>3</sup> The culmination of this broadly based movement was the passage of the N.I.R.A. in June 1933, and particularly, the inclusion of Section 5, which temporarily suspended the antitrust laws to allow greater scope for organised business to pursue the goal of economic recovery.

Advocates of revision could marshal powerful arguments in support of their cause. Several suggested that legislation had failed to keep pace with economic change. The antitrust laws had been appropriate in

1. The definitive account of the role of the National Civic Federation in the revision movement is found in Himmelberg, *Origins of the National Recovery Administration*, op.cit., 81-85; 91-93; 110-116.
2. New York Times, 28 October, 2 December, 1931.
3. Collier's 90 (5, 19 November, 1932): 50; 50.



the late nineteenth century, since when a different order of industry had evolved, more complex and inter-related, and for which the laws were too crude a regulatory instrument.<sup>4</sup> The Washington Herald regretted the perseverance of the "rough and tumble" Sherman Act, conceived in "the spirit of 1890" and pernicious in its effect on a modern, complex economy which depended upon "delicately adjusted social engineering" for its functioning efficiency.<sup>5</sup> Owen D. Young also warned of the legislative lag which accompanied economic change. "Under the stimulus of research, invention and engineering, business is now moving into the unknown with unparalleled rapidity," he advised the American Bar Association in 1932. "Unless the processes of the law are correspondingly quickened, the distance between them will increase. I fear it is increasing."<sup>6</sup> Even Hoover recognised in his second Annual Message to Congress that "changes in business" had made consideration of revision advisable.<sup>7</sup>

Critics claimed that the antitrust laws lacked sufficient flexibility to permit the type of cooperation in industry which would facilitate stabilisation and ameliorate unemployment. Much of the difficulty lay in the fact that the courts assessed economic questions by legalistic criteria. Definitions of unfair practices were "narrow" and "antiquated", the economists, Edgar L. Heermance and Melvin T. Copeland believed. They were based on the concept of misrepresentation rather than on price competition, ignored the problems that currently

4. Business Week, 30 September, 1931: 44.

5. Washington Herald, 5 May, 1932.

6. New York Times, 16 October, 1932.

7. Second Annual Message to Congress, 2 December, 1930. State Papers, op.cit., 1: 437.

beset industry, and prohibited potential cooperative solutions. Businessmen were given no incentive to experiment with cooperative practices to relieve economic problems due to the fear of criminal suits and triple damages resulting from action by the Department of Justice. Even the F.T.C.'s trade practice conferences were of limited usefulness since businessmen were uncertain of the legality of the rulings, especially after the Commission became more strict after 1930 in its definition of acceptable cooperative practices. Businessmen were not confident that the Attorney General would refrain from initiating prosecutions on the basis of rules agreed with the F.T.C., and the seeking of legal sanction for agreements was a long and costly process. The laws, then, introduced an unnecessary uncertainty into the conduct of business.<sup>8</sup>

A related argument was that the antitrust laws were promoting evils they were designed to curb. The law was destroying the independent producer by prohibiting cooperation between autonomous units. Unable to compete or survive with large integrated competitors, mergers of small firms were the only alternative to liquidation.<sup>9</sup> J. Harvey Williams, the Buffalo tool manufacturer, emphasised the disadvantages of the independent producer in the face of consolidated purchasing agents. Williams, an active proponent of revision in both the N.A.M. and the National Civic Federation, phrased his arguments in terms of the interests of small or independent business. The gist of Williams' complaint was that the statutes no longer protected the constituency they were designed to serve, for while the courts had permitted consolidation through mergers, they had interpreted combinations of independent

8. Edgar L. Heermance, 'Self Regulation and the Law', Harvard Business Review 10 (July 1932): 420-429. Melvin T. Copeland, 'Revising the Antitrust Laws', Ibid., 10 (April 1932): 292-301.

9. Forbes 25 (15 May, 1930): 4.

producers to be "in restraint of trade". As a result the "philosophy" of the laws had become divorced from their effects. Inability to combine to determine price levels and production, and to apportion markets, had put the independent producer at a grave disadvantage during the depression. Not only had he to contend with 'cutthroat' competition in a constantly shrinking market, but he was increasingly selling to a consumer who was not an 'individual' but a monopolistic enterprise whose market control enabled it to take the determination of prices out of the independent producer's hands and into its own. This monopoly buying power was a corollary of the selling monopoly which had been brought about through the merging of independent concerns into large corporations. Moreover, the merger movement was likely to continue to the detriment of the independent producer and the public alike unless legislative remedies were considered to protect competition. Ironically, the means by which this would be achieved was to give the independent producer the same advantages as the large corporation by permitting agreements on trade practices between independent firms.<sup>10</sup>

The plight of the independent manufacturer was also evident in the Senate hearings on Gerald P. Nye's bills to amend the Federal Trade Commission Act and establish a Federal Trade Court. Repeatedly witnesses testified that revision of the antitrust laws would benefit small business. Congressman A.F. Lamneck (Ohio) regarded revision as the only way to "save" small businessmen. Charles P. Garvin, a trade association representative, contended that the trade association constituted the "little fellows" only chance to provide a common front against monopolistic enterprises, while both W.J. Parker, a trade association executive and

10. J. Harvey Williams, 'The Reign of Error', Atlantic Monthly 147 (June 1931): 787-796. Idem, 'How the Anti-Trust Laws Should be Modified', The Annals 165 (January 1933): 72-83.

the businessman, Otho M. Graves, contrasted the indifference of big business to revision with the enthusiasm of the independent producer.<sup>11</sup> Businessmen expressed their dissatisfaction with the trade practice conferences as a means of facilitating cooperation. N.A. Emmertz, a Chicago businessman, felt that they were flawed because conference rules did not have industry-wide application and the F.T.C. did not have the authority to enforce them on that basis.<sup>12</sup> Others were concerned that businessmen were unsure of their rights under the trade practice agreements and expressed annoyance at the inconsistency of the F.T.C. in applying its rules.<sup>13</sup>

Further arguments in favour of revision were delivered by spokesmen from industries suffering from excess capacity. Representatives of the natural resource industries - coal, oil and lumber - were particularly vocal, and were joined by elements in cotton textiles who demanded legislative change. All these industries had been prominent 'sick' industries of the 1920s and many spokesmen had come to identify antitrust restraints as the principal obstruction to their industries' rehabilitation. There were strident reasons for the adoption of planning in these sectors: to balance production with demand, increase prices, rationalise the industries and increase productivity, allow workers a fair day's pay for a fair day's work and preserve finite natural resources. Support for revision came also from industries - such as sections of the steel industry - whose profitability during the 1920s paled in comparison with the 'newer' industries such as light metals.

11. Hearings, Amendment of Federal Trade Commission Act, op.cit., 17-18; 47-48; 117; 124-125; 152.

12. Ibid., 32.

13. Ibid., 34; 40; 48; 77; 83-84; 122-128; 184.

Selective revision of the laws as they applied to these industries promised to have beneficial effects on the economy as a whole.

Business was not the only source of support for revision during Hoover's presidency. The gravity of the depression made antitrust law reform a practicable focus for all those despairing of self-generating recovery or impatient with the President's own recovery policies. Moreover, it attracted the attention of 'planners' from business, labour and the collectivist intelligentsia who defended revision as a sine qua non of economic planning. In effect, antitrust law revision became the least common denominator which united planners of different persuasions given the palpable failure of President Hoover to initiate an effective form of planning and the inability of LaFollette to draw out sufficient support for his economic council proposal. While the primary impulse for revision lay in the business community, support was forthcoming from collectivists, labour, Congress, and even from President Hoover himself. This support was neither wholehearted nor uncritical. Collectivists had reservations about planning being conducted by businessmen rather than by disinterested experts; Hoover sanctioned selective revision only, as applied to natural resource industries. Also, revision was not regarded as a solution in itself for immediate recovery and long-term stability. However, there was widespread sympathy for some form of legislative change as a prelude to the implementation of planning in industry.

Antitrust revision was accepted in the plans formulated by Stuart Chase, George Soule and Charles Beard, as well as by the more conservative schemes of William McAdoo and Wallace Donham. Chase believed that "drastic" revision was a necessary prelude to an alliance between industry, organised into trade associations, and government, to counter overproduction and inaugurate a planned society. Congress should

recognise that in certain economic sectors competition was neither an operative nor a useful doctrine, amend the antitrust laws "and the sooner the better".<sup>14</sup> Rexford Tugwell felt that the antitrust laws had failed in their purpose because consolidation had continued despite their enforcement. The attempt to enforce competition had merely promoted "business confusion", thwarted cooperative impulses and obliged industry to circumvent the laws through mergers, informal agreements and the skill of corporation lawyers. Moreover, consolidation was both a natural and desirable trend. Unfortunately, "what was sound and economically necessary was branded as wrong legally". The tragedy was twofold. Social policy had attempted to restrain inevitable and desirable trends and had failed to recognise how scale in industry could be utilised in the public interest. Rather than discourage associationism, Tugwell advised that it should be encouraged under government regulation.<sup>15</sup> The Nation also sympathised with business demands for antitrust relaxation, disparaging the philosophy behind the Sherman Act as "incompetent" to achieve stable production at equitable prices. Legislative change would be a recognition of the imperatives which faced modern business, and would remove the artificial "strait-jacket" in which it was presently constrained. "Industry has got to be organized, will be organized, is being organized," the journal declared.<sup>16</sup> Also, so long as business remained hampered by anachronistic laws its potential for stable growth would not be realised. "Our laws commit us and condemn us to an uncoordinated,

14. Chase, 'The Enemy of Prosperity', op.cit., 650. Idem, A New Deal, op.cit., 222.

15. Tugwell, The Industrial Discipline, op.cit., 121; 130-132; 218-219.

16. Nation 130 (5 March, 30 April, 28 May, 1930): 262; 570; 614.

unplanned, disorderly individualism" wrote Walter Lippmann, "which inevitably produces alternating periods of boom and depression."<sup>17</sup>

Despite the deepening disrespect within organised labour for economic leadership by business and a scepticism about the value of trade association planning, the A.F. of L. remained prepared to support antitrust law revision. At the organisation's convention of 1932 revision became official A.F. of L. policy. However, beforehand, during August, the Federation had committed itself to revision by officially subscribing to the Advertising Clubs' Plan, a seven-point programme for recovery formulated by the Clubs' Board of Directors. Antitrust revision was the second point of a programme which included demands for the introduction of the thirty-hour week, a \$4 billion government public works programme, abolition of prohibition and a balanced budget. The programme was supposed to serve as a basis for a congress of representatives from industry, agriculture and labour scheduled for October, but which never convened. Nevertheless, Matthew Woll was explicit in his call for revision in his supporting statement on behalf of the Club's programme. "We want no statutes that tell us to stop working together," he declared. "We want merely statutes that clear the way for cooperation and that induce and encourage cooperation's helpful, democratic processes."<sup>18</sup> Woll accurately reflected the sentiments of the A.F. of L.'s Executive Council on the issue. The Council declared for revision during 1932, and presented a proposal to this effect at the Cincinnati convention which was considered by the Committee on Resolutions. The Committee's conclusion

17. New York Herald Tribune, 18 September, 1931.

18. New York Times, 25 August, 1932.

was that industry's right to organise was analogous to labour's own rights in this respect and that organisation by economic units represented a realistic response to modern economic conditions:

It must be clear to every trade unionist that modification of our outworn anti-trust legislation is imperative .... The American trade union movement requires the right to organize in conformity with the development of modern industry and unless the hands of the clock are to be turned backward entirely there must be a like right running throughout the whole industrial field.

The Committee continued in this corporatist tenor by emphasising the value of consolidation in industry to the extension of union participation in the economic decision-making process. Rationalisation in industry would abet union organisation and participation in industrial planning, and achieve "an extension of democratic practice in industry comparable to our democratic practice in our political life". So urgent was the issue that the Committee was prepared to support repeal, rather than modification of the statutes if necessary - a policy position which was in advance of most of the business planners. The Committee's recommendation that legislation be formulated on the subject was adopted unanimously by the convention.<sup>19</sup>

Organised labour's consideration of the antitrust question had been dominated by the problems of the bituminous coal industry since the 1920s when excess capacity began to have an adverse effect on miners' wages, working conditions and employment security. An early legislative attempt to stabilise the industry was the bill introduced by Sen. James E. Watson (Indiana) in 1928, which would have permitted consolidations and cooperative marketing between producers under the surveillance of a bituminous coal commission. The United Mineworkers'

19. Proceedings, 52nd Annual Convention, A.F. of L., 1932, op.cit., 72; 370-371.



Union (U.M.W.), supported the measure because it provided for unionisation and collective bargaining in the industry.<sup>20</sup>

Interest in the Watson formula revived after the onset of the depression and bills were introduced along similar lines in 1932. The most significant of these were the companion bills of Sen. James J. Davis and Rep. Clyde Kelly of the State of Pennsylvania. The bills were construed by their sponsors as a response to the disorganisation and "jungle conditions" which prevailed in the bituminous coal industry and which stemmed from excessive competition. In the face of unprofitable enterprise, subsistence wages and the wastage of valuable resources, they rejected a "do-nothing" policy, and sought a solution to the industry's blight through the principle of "mutuality" - the promotion of the rights of labour, capital and the public.<sup>21</sup> Essentially, Davis and Kelly resurrected the Watson bill by providing for the creation of a federal commission, the licensing of mining operations involved in interstate commerce, and the formation of producers' marketing associations to be supervised by the central agency. They also followed the precedent of reciprocal concessions established in 1928 by granting to labour the right of collective bargaining.

The bill was supported by both the U.M.W. and the A.F. of L. The Federation's Executive decried the "sordid performance" of the coal industry since the war and recognised that the depression had resulted in "profitless operation for coal companies and pauperization of the mining communities". At the A.F. of L.'s annual convention of 1931, the Executive Council supported the U.M.W.'s demand for federal regulation of the industry through the creation of a Federal Coal

20. S. 4490.

21. S. 2935 and H.R. 7536. Congressional Record 75, 72nd Congress, First Session, 1932: 2907; 2912-2913.

Commission. The Council reiterated its position in 1932 with explicit support for the Davis-Kelly proposals.<sup>22</sup>

The Davis-Kelly 'bill' had at least one advocate within the Hoover administration. William N. Doak, the Secretary of Labor, welcomed the bill as an answer to the deadlock that had developed on policy to solve the coal industry's problems.<sup>23</sup> However, the reaction of the operators was hostile. Coal Age castigated the bill's "vicious basic principles". Unionisation by "fiat" was unacceptable, and the undefined supervision of a new federal agency would "destroy completely industrial self-government". While the journal welcomed antitrust relief, it preferred that the industry be given "a fighting chance to accomplish its own rehabilitation" without extensive government interference. Although operators were interested in stabilisation proposals, Coal Age advised: "not at the price named in the Davis-Kelly bill, thank you".<sup>24</sup>

Opposition to Davis-Kelly did not imply any employer disinterest in stabilisation programmes or antitrust law reform. Before the onset of the depression Coal Age had championed cooperative activity in the industry through the trade practice conferences of the F.T.C., and had condemned antitrust restrictions for debilitating the cooperative movement.<sup>25</sup> Noting "the clash between antiquated law and living, modern economics", the journal claimed in April 1929 that: "No industry has a greater stake in the movement for modification of

22. Proceedings, 51st Annual Convention, A.F. of L., 1931, op.cit., 134-135; 450-452. Proceedings, 52nd Annual Convention, A.F. of L., 1932, op.cit., 103; 372-373.

23. William N. Doak to Herbert Hoover, 17 February, 1932. Pres. Box 104 File, Coal. H.H.L.

24. Coal Age 37 (February, March, May, June, July, 1932): 43; 91 and 110; 200; 221-222; 258.

25. Ibid., 34 (January, February, 1929): 1 and 6-7; 73.

oppressive regulation such as lurks in the Sherman Act than the coal industry".<sup>26</sup> Twice during the early years of the depression, the journal supported a call for the appointment by the President of a commission to consider the operation of the antitrust laws, and in September 1931, advanced its own stabilisation programme, the central feature of which was antitrust reform.<sup>27</sup> The plan's preamble reflected the journal's disillusionment with unregulated competition and its conviction that stabilised and regulated operations with a minimum of risk and a reasonable profit were preferable to the vagaries of competition, with its high risks but opportunities for great profits:

Even were it possible to anticipate a return of the conditions which formerly brought about brief periods of flush earnings, such a return would be unhealthy. A gambling basis of profit for an industry so important to the industrial welfare of the nation ... is neither conducive to stability nor safe for the nation or for the industry itself. The time is ripe for the consideration of a program of rehabilitation and stabilization that will rest firmly upon a strong economic foundation.

Coal Age contended that current government policy confounded stabilisation. Enforced competition promoted overproduction and excess capacity and penalised responsible firms who attempted to fulfil their obligations to their workforces and to their industry. "While the law of the jungle is driving out some of the inefficient, it also is draining the resources of many producers who richly deserve to survive," the journal reflected. "Under the law of the jungle, the lion is little more secure than the jackal."

However grave was the crisis faced by the coal industry, its solution lay with the operators themselves and not with government. Stabilisation was "not a job for George". Government action was necessary only in as far as it was essential to revise the antitrust

26. Ibid., 34 (April, 1929): 201.

27. Ibid., 34 (December, 1929): 768; 35 (December, 1930): 705; 36 (January, 1931): 20.

laws to permit self-regulation and control in the industry.<sup>28</sup> This hostility to government intervention conditioned the journal's reception of the Davis-Kelly proposals. Furthermore, a less objectionable vehicle for stabilisation emerged during 1931, in the form of the district selling agency. The Supreme Court's declaration of the constitutionality of the pilot agency, Appalachian Coals Inc. on 13 March, 1933, was greeted by Coal Age as a decision which brought the Sherman Act "into step with present-day economic conditions" and which offered industry an opportunity to vindicate its own leadership.<sup>29</sup> Labour spokesmen, however, disapproved of the district selling agency approach to stabilisation since it abandoned the formula of reciprocal concessions and government involvement. Deprived of these, stabilisation became merely "a northwest passage around the antitrust laws", according to Harry Warrum, the labour lawyer.<sup>30</sup>

While organised labour and operators mutually identified the contours of the coal problem and agreed that inter-firm cooperation was essential, they diverged on the issues of government involvement and unionisation as prerequisites for stabilisation. Although this discord jeopardised the achievement of any common programme for the coal industry, their collective voice on the antitrust question did gain publicity for the broader revision movement.

In the oil industry the failure of voluntary reduction of output and the limited effect of State measures at proration led to demands by operators and collectivists for a modification of the antitrust laws to facilitate successful curtailment programmes. Support for

28. Ibid., 36 (September, October, 1931): 461 and 469-472; 517.

29. Ibid., 38 (April, 1933):110.

30. Ibid., 37 (January, 1932): 34; 38 (April, 1933): 109-110.

revision amongst operators was widespread, and the case of the oil industry for antitrust relief was taken up by the Chamber of Commerce.<sup>31</sup> Collectivists also regarded revision as essential to stabilisation. The Nation sympathised with the efforts of large integrated concerns like Standard to limit output, and regretted that more did not follow their lead.<sup>32</sup> Calls for antitrust law reform were made also by the north-western lumber industry and its political representatives. For example, the dire circumstances of the industry in 1932 compelled Governors Julius L. Meier (Oregon) and Roland H. Hartley (Washington) to request President Hoover's support for legislative relief. The Governors complained of the "desperate" conditions faced by operators and their employees, and demanded "immediate and drastic action" to prevent the industry's "complete collapse". In particular, they urged Hoover to sponsor a proposal which would prohibit producers from selling below cost.<sup>33</sup>

The revision movement was sustained also by industries which, while not in crisis, had earned only moderate profits in the expanding economy of the 1920s. Many of these specialised in producers' goods, such as the iron and steel industry, and they entered the depression

31. See, for example, Amos L. Beaty, 'Production and the Sherman Law', Nation's Business 20 (November, 1932): 31-32. Walter C. Teagle, 'Oil' in, Crowther (ed.), A Basis for Stability, op.cit., 112-117. Charles B. Steele, 'The Anti-Trust Laws and the Oil Industry', The Annals 147 (January, 1930): 78-83. Barron's 11 (17 August, 1931): 14. Chamber of Commerce, Referendum No. 59: On the Report of the Department Committee on Natural Resource Industries, 30 October, 1931 (Washington, D.C., 1931): 12; 14.

32. Nation 130 (5 March, 1930): 262.

33. Julius L. Meier and Roland H. Hartley to Herbert Hoover, 9 July, 1932. Pres. Box 64 File, Antitrust Laws. H.H.L.

with the experience of a decade of disadvantage with respect to the highly-profitable 'new' industries which specialised in consumer durables.<sup>34</sup> The long-term experience of such industries with 'profitless prosperity' made them more willing to consider drastic solutions for the problems of their industries.

The iron and steel industry was conscious of the problems with which it was faced during the 1920s. According to The Iron Trade Review in its annual summary of 1928, the condition of the industry was not critical, but "in the background - subdued but none the less perceptible - are traces of somber color, symbolic of a doubt which pervades the industry". Excessive competition was the cause of this anxiety, and its solution was "the most urgent task" that the industry confronted.<sup>35</sup> However, while many steelmakers were favourably disposed to trade association activity to instil order into the industry, anti-trust revision was not generally approved. The Iron Trade Review, for example, dismissed the necessity for revision "or any other artificial means". Rather it looked to a change of attitudes in the industry, whereby "vindictiveness, recrimination and obstinacy" would be transcended by "a spirit of constructive cooperation and understanding".<sup>36</sup>

Such moderation was unable to survive the depression and its effects upon the iron and steel industry. The decline of orders from the automobile, building and railway industries reduced steel production from a record level in 1929 of 56 billion tons of steel ingots -

34. Himmelberg, Origins of the National Recovery Administration, op.cit., 115-146.

35. Iron Trade Review 84 (3 January, 1929): 1.

36. For the journal's pre-depression attitude to the questions of industrial cooperation and antitrust law revision, see Ibid., 84 (3 January, 21 February, 14 March, 1929): 1 and 16-18; 531; 750-751. Ibid., 85 (4 July, 1929): 6-7.

estimated to be one-half of the world total - to 13½ billion tons by 1932. In 1931, only 38% of steelmaking capacity was utilised. Specialist sectors such as steel construction were particularly affected. Steel constructors' markets declined after the building boom of 1921-1926, and the depression exacerbated problems. Charles F. Abbott wrote in 1931 of how steel constructors were experiencing a "very distressing time" and that "in most cases, profits are entirely dissipated".<sup>37</sup>

As the depression deepened, the industry grew impatient with 'predatory' competition and became more favourable to antitrust law reform. In 1931, Iron Age noted the emergence of a new class of "moral chameleons" who espoused business ethics at one moment and price-cut their fellows at the next. The journal regretted that "increasingly bitter competition is apt to bring in its train a lower standard of commercial ethics" and hoped that trade associations might be given the means to discipline non-conformers.<sup>38</sup> Trade association presidents in the steel industry, such as Charles Abbott, C.H. Smith and Granville Rogers, demanded revision of the antitrust laws to facilitate inter-firm agreements. The Sherman Act was "obsolete and a detriment to successful business operation", according to Abbott, and he urged

37. Meredith B. Givens, 'The Iron and Steel Industry', in George B. Galloway, et al., Industrial Planning Under Codes (New York, 1935): 146. C.E. Wright, 'Industry Experiences a Calamitous Year', Iron Age 129 (7 January, 1932): 13-14. Charles F. Abbott to Herbert Hoover, 6 October, 1931. P.P.F. Box 3 File, American Institute of Steel Construction. H.H.L.

38. Iron Age 127 (22 April, 7 May, 1931): 1330-1331; 1499.

president Hoover to sponsor "early consideration" of the law.<sup>39</sup> By May 1933, the experience of unprecedented deficits in the industry had convinced Steel that the industry's problems could not be solved without government assistance. All efforts at "moral suasion" had failed since the industry remained "cursed with the practice of a minority" which had precipitated cycles of price-cutting. "Self-government in the steel industry has failed," the journal advised, and it was necessary that government make available the means for trade associations to insist that operators adhere to 'fair' practices in business conduct.<sup>40</sup>

Businessmen's organisations complemented the efforts of the 'sick' and 'disadvantaged' industries to secure antitrust revision. Some were ad hoc bodies, such as the 122 industrialists who sponsored the "Truce Plan" in February 1932. The plan's originators were prominent trade association executives, including Warner S. Hays, Charles Abbott and Gordon C. Corbaley. Their purpose was to secure publicity for antitrust law relief by presenting President Hoover with a proposal which emerged from a well-attended conference of business executives. The Plan submitted to Hoover on 11 February, and endorsed by 122 "independent producers and distributors" and by Matthew Woll on behalf of organised labour, called for a "truce" of two years in destructive competition, during which time Congress would investigate

39. For examples of this sentiment in the iron and steel industry which was favourable to cooperative action and antitrust revision, see American Institute of Steel Construction to Herbert Hoover, 28 October, 1930. P.P.F. Box 3 File, American Institute of Steel Construction. Charles F. Abbott to Herbert Hoover, 2 December, 1930. Ibid., Box 43 File, Congratulatory Correspondence, Annual Message to Congress. H.H.L. Iron Age 129 (10 March, 1932): 628. Iron Trade Review 86 (24 April, 8 May, 1930): 58; 64. Steel 88 (19 February, 1931): 27-28.

40. Ibid., 92 (15 May, 1933): 20.



the effects of the antitrust laws on industry. The "truce" would be supervised by a "National Economic Truce Board", containing representatives of economic groups and consumers, and which would liaise with government agencies to create an "atmosphere" which equated cooperation between firms with patriotic duty.<sup>41</sup>

Interest in antitrust change gained momentum after the announcement of the Swope Plan in September 1931, and with the publication of the report of the Chamber of Commerce's Committee on Continuity of Business and Employment in the following month. The affirmative vote of 89% for the Committee's recommendations for antitrust modification in the December referendum, committed the Chamber to revision as its official policy.

The Chamber maintained close contact with Herbert Hoover through the President's personal friendship with Julius Barnes. Barnes kept Hoover informed on developing sentiment within the business community on antitrust issues and sought to convince the President of the need for revision of the laws. "If you could meet and talk with men in various lines of industry as I do," wrote Barnes in May 1931, "you would feel that it is a question of major importance."<sup>42</sup> By September, the subject had become "the largest question in business today" and Barnes presumed to make suggestions about material on antitrust matters that Hoover might consider for inclusion in his annual message to Congress. Barnes urged that the President "take a lead" in promoting

41. Gordon C. Corbaley to Lawrence Richey, 22, 23, 27 January, 1932; Matthew Woll to Herbert Hoover, 11 February, 1932; 'Statement Submitted to the President of the United States by 122 industrialists following conference, Washington 10 and 11 February'; 'A Plea from Representatives of Independent Industrial Units and of Labor for the Trial of a Two Years' Truce in Destructive Competition, 11 February, 1932'. Pres. Box 90 File, Business - Correspondence. H.H.L.

42. Julius H. Barnes to Herbert Hoover, 7 May, 1931. Ibid., Box 64 File, Antitrust Laws.

cooperative activity in industry by suggesting a means by which consultative action could be achieved.<sup>43</sup> He returned to the subject in October, when he stressed that the question of revision "comes up everywhere" and that there was "complete conviction" that only legislative change could bring about the eradication of destructive competition. "If, with your advisors, you could say something reassuring in respect to your effort to obtain such revision," Barnes suggested, "it would give ... new heart and courage to thousands of discouraged businessmen."<sup>44</sup> In November, Barnes advised the President that it was beyond the scope of individual economic units to promote revival in the current economic situation and that "the corrective action must come by discussion and agreement among the units of an industry before they destroy each other".<sup>45</sup> Barnes' appeals to Hoover coincided with the Chamber Committee's deliberations on antitrust revision and he personally made the President aware of work-in-progress.<sup>46</sup> Clearly his efforts were an attempt to cultivate presidential support for the Committee's published recommendations.

However, after a meeting with Barnes and Silas Strawn in April 1932, the journalist, Raymond Clapper, confided in his diary that there was a general gloom about the business situation within the Chamber's leadership. Although both Barnes and Strawn had "worked

43. Julius H. Barnes to Herbert Hoover, 17 September, 1931. Ibid., Box 95 File, Chamber of Commerce of the United States.

44. Julius H. Barnes to Herbert Hoover, 10 October, 1931. Ibid.

45. Julius H. Barnes to Herbert Hoover, 30 November, 1931. Ibid., Box 96 File, Chamber of Commerce of the United States.

46. Julius H. Barnes to Herbert Hoover, 4 September, 5 October, 1931. Ibid., Box 95 File, Chamber of Commerce of the United States.

on" President Hoover to secure his support for antitrust revision, they were pessimistic about the prospects.<sup>47</sup> During 1932, pressure on the President eased, and appeals to him were less frequent. Barnes reminded Hoover in May that business opinion was still "solid" on the issue, and in June, the Chamber's new president, Henry I. Harriman, urged that the President support the resolution of Rep. Hatton W. Summers (Texas) for a congressional investigation of the antitrust laws.<sup>48</sup> The President's lack of enthusiasm for the ambitions of the Chamber's revisionists did not diminish the organisation's commitment to antitrust reform as Harriman made clear in the summer of 1932, when he specified the Chamber's demands. These included the establishment of a "commerce court" or the empowering of the F.T.C. to give advance sanction to inter-firm agreements which would confer immunity from the antitrust laws.<sup>49</sup>

The National Association of Manufacturers began to work for revision also in 1931. Previously it had been critical of the laws but had stressed the need for their clarification through the appointment of an administrative tribunal with authority to render advisory opinions on commercial contracts and agreements.<sup>50</sup> In March 1931, the organisation sponsored a conference of industrial leaders in New York, the object of which, according to The New York Times, was to "crystallize" opinion on antitrust modification and to mount a campaign for a congressional enquiry into the operation of the statutes. The Association's president, John E. Edgerton, gave his blessing to

47. Raymond Clapper, 'Diary', Raymond Clapper MSS: Box 7 File, Diaries, 1932. Library of Congress.

48. Julius H. Barnes to Herbert Hoover, 27 May, 1932. Pres. Box 429 File, Barnes, Julius. Henry I. Harriman to Herbert Hoover, 13 June, 1932. Ibid., Box 64 File, Antitrust Laws. H.H.L.

49. Harriman, Our Job for the Year Ahead, op.cit. Nation's Business 20 (20 August, 1932): 55.

50. Memorandum from Walter H. Newton, 24 December, 1930 with enclosure by James G. Emery. Pres. Box 63, File, Antitrust Laws. H.H.L.

revision, contending that "indirect price-fixing through such control of production as is consistent with American institutions" was necessary to solve the problem of overproduction.<sup>51</sup> In June, Edgerton suggested that Congress conduct an enquiry into the advisability of establishing a federal agency which would give advance sanction to commercial contracts and proposed consolidations, and grant immunity from prosecution under the antitrust laws to the parties concerned.<sup>52</sup> However, it was not until the summer of 1932 that the Association felt confident that opinion had gelled sufficiently for it to adopt a positive, official stance on the revision question. In its 'Platform of American Industry', announced in May 1932, and submitted to both the Democratic and Republican presidential nominating conventions, the Association demanded a congressional investigation into the anti-trust laws and legislation to permit cooperative agreements between sellers.<sup>53</sup>

The efforts of business organisations to ensure antitrust revision were paralleled by those of the American Bar Association. At the outset of his presidency, Hoover was requested to call for congressional hearings to consider revision of "economically oppressive laws", and the Association repeatedly endorsed revision at its annual conventions between 1929-1932.<sup>54</sup> The Association's Commerce Committee took testimony from witnesses and formulated its own revision proposal which had undergone four drafts by the end of 1932. It provided for

51. New York Times, 25, 29 March, 1931.

52. Ibid., 27 June, 1931.

53. Ibid., 16 May, 1932.

54. Rush C. Butler to George Akerson, 20 April, 1929. Pres. Box 63 File, Antitrust Laws. H.H.L. American Bar Association Journal 15 (November, 1929): 788; Ibid., 16 (October, 1930): 684; Ibid., 17 (November, 1931): 760; Ibid., 18 (November, 1932): 754-755.

the conferring of additional jurisdiction upon the F.T.C. to sanction in advance 'restraint of trade' contracts voluntarily submitted by industry, and would have granted immunity in law to parties to approved agreements.<sup>55</sup>

Antitrust reform was sponsored by a broad spectrum of the business community; the 'sick' and 'disadvantaged' industries, individual spokesmen such as Gerard Swope, ad hoc and established businessmen's organisations, and the legal profession. Organised labour and collectivist intellectuals lent support to the business community's claims, although they conceived of revision in distinctive terms by anticipating a greatly expanded economic role for government. Two approaches existed on the method by which revision would be achieved. Advocates of administrative amendment called for the establishment of a government agency which would vet and give opinions on trade association plans. Affirmative decisions would make an association immune from criminal prosecution by the Justice Department. The approach was essentially an attempt to certify the trade practice conferences of the 1920s by legalising agreed rules. Supporters of 'substantive' amendment did not favour assisting businessmen within the law as much as they wished to change the law itself. This approach required a more liberal definition of 'restraint of trade' in which restraints 'in the public interest' would be permitted. In particular, 'substantive' revisionists demanded the revision of the antitrust laws to permit agreements on production and prices. During the Hoover presidency it was rare for an organisation or individual to hold a consistent line on the form that revision should take. For example, while the N.A.M. became more

55. Reports of the American Bar Association 57, 1932: 406-407; American Bar Association Journal 17 (May, 1931): 277. New York Times, 29 March, 6, 17, 19 September, 1931: 14 April, 12 October, 1932.

militant in 1932, the Chamber withdrew from its advanced 'substantive' revision position as had been outlined in its Committee's report of 1931. However, such oscillation was the result of political tactics and expediency; attempts to tack antitrust reform demands according to the prevailing political climate. By 1932, the general consensus within the business community was in favour of a reappraisal of the legal definition of 'fair' competition.<sup>56</sup>

Activity in Congress to accomplish revision began in earnest in December 1930, following President Hoover's recommendation in his annual message that Congress institute an enquiry into the operation of the antitrust laws. On 3 December, Sen. George W. Norris (Nebraska) introduced two bills to redefine the functions of the F.T.C. and by April 1933, some fifty bills and resolutions had been introduced into Congress on the subject. The nature of the legislative proposals differed significantly. While the majority were intended to modify the laws by regulating or minimising competition, some provided for more rigorous enforcement to facilitate competition.<sup>57</sup> Some proposals sought to regulate competition by enumerating prohibited competitive practices which were deemed to be 'unfair' and undesirable, while others provided for cooperation in industry without any specific prohibitions of undesirable practices. In this latter category, the various bills made provision for either administrative or 'substantive' amendment to the antitrust laws to facilitate cooperation in industry.

56. Himmelberg, *Origins of the National Recovery Administration*, op.cit., Chapter 7.

57. See, for example, H.R. 8930 and S. 4331; bills introduced by Harold C. McGugin (Kansas) and Huey P. Long (Louisiana) in February and April, 1932.

Congressional activity to secure revision was most marked during the First Session of the 72nd Congress when some thirty bills and resolutions were introduced. A variety of approaches to antitrust law modification was advanced. Sen. Arthur Capper (Kansas) introduced a bill to legalise resale price maintenance, a practice which was forbidden by the antitrust laws.<sup>58</sup> Critics of the prohibition argued that retailers and manufacturers alike were injured by the restriction. Retailers were forced into price competition to attract customers, which benefitted the chain-stores. Manufacturers suffered since if a firm's product was made a loss-leader by a retail outlet, others in the same district would cease to sell the item because they could no longer make a profit. The outcome would be a decline in overall sales for the producer.

Several bills sought to amplify and define with greater precision the legal concept of 'unfair' methods of competition. Essentially, this approach represented a continuation of the precedent established in general terms by the Sherman Act and furthered by subsequent anti-trust legislation, of specifically proscribing certain 'unfair' business practices by law. Both Sen. Gerald P. Nye (North Dakota) and Sen. David I. Walsh (Massachusetts) sought to expand prohibited competitive practices in their bills of 1932.<sup>59</sup> Nye would have defined selling below cost, price discrimination, and violation of trade practice rules as 'unfair' methods of competition which the F.T.C. would have the jurisdiction to prevent. Walsh would have included other specific categories such as patent violations and selling inducements. Common

58. S. 97.

59. S. 2626, S. 2627, S. 2628, S. 3256. Nye's three companion bills introduced in the 72nd Congress were an elaboration of measures that he sponsored in the previous Congress.

to both was an attempt to secure the old Progressive ideal of equity in business enterprise through legislative fiat.

Nye and Walsh also made provision for the complete legalisation of trade practice conferences and the rules adopted out of them. Advocates of this approach to antitrust law reform believed that it was inadequate merely to specify forbidden competitive practices and that some means should be provided to facilitate cooperation in industry to secure stabilisation goals. While the existing trade practice conferences offered a potential framework through which cooperation could be achieved, some congressmen insisted that they needed to be refurbished in order to operate more successfully. Nye was dissatisfied with the operation and results of the conferences, particularly since their rules were uncertain in standing and their enforceability remained in doubt. "The uncertainty thus occasioned has all but destroyed the usefulness of the conferences," he contended, and he suggested that rules should be given a definite legal status which conferred immunity from antitrust prosecution so long as they were observed. One of Nye's bills provided that once trade practice rules were adopted by a majority of an industry and were approved by F.T.C. or the courts, they would become binding on all members of the industry. To eliminate uncertainty and allow for uniformity in interpretation and enforcement, Nye also provided for the creation of a Federal Trade Court which would have exclusive jurisdiction over all cases arising under the antitrust laws. Considerable benefits were expected from a court which specialised in business law since it would be in a position, as Nye explained, "to interpret the law in the light of rapidly changing economic and business



conditions, such as is not now possible".<sup>60</sup> For his part, Walsh would have empowered the F.T.C. to give advance approval of cooperative contracts and grant exemption from antitrust prosecution to approved codes. Penalties were stipulated for noncompliance with agreed rules and provision was made for the revocation of approval if deviation from the contract occurred. Walsh was particularly concerned that the public interest was protected, and provided for government jurisdiction over the reasonableness of prices in industries where approved contracts applied. "The bill permits industry to stabilize itself through cooperative agreements," Walsh stated, "and at the same time protects the public against the extortionate practices of monopolies."<sup>61</sup>

A final category of legislation concerned the granting of permission to make cooperative agreements between firms organized into trade associations, or among competitors in general. Several of the bills introduced on this basis involved the granting of licenses to corporations and associations which permitted them flexibility in determining codes of conduct for their industries, subject to the supervision of a governmental authority. These bills were aimed at restricting competition and would permit practices which otherwise would constitute 'restraints of trade'. For example, the coal bills of James Davis, Clyde Kelly and David J. Lewis (Maryland) entertained the idea of production and price controls, while a resolution introduced by Sen. Frederick Steiwer (Oregon) in January 1932, would have exempted natural resource industries from the antitrust laws and empowered the F.T.C.

60. Congressional Record 75, 72nd Congress, First Session, 1932: 1287-1289. Hearings, Amendment of Federal Trade Commission Act, op.cit., 5-7.

61. Congressional Record 75, 72nd Congress, First Session, 1932: 2601-2605.

to endorse agreements contrary to the Sherman Act, pending revision of the laws by Congress.<sup>62</sup>

Of the arguments employed by congressional advocates of revision, protection of the small businessman was the most popular. A strain of Brandeisian liberalism was evident in the drive for antitrust revision. Senator Capper sought to legalise resale price maintenance to prevent the small proprietor from being "wiped out" through 'unfair' price competition from large chain-store operations.<sup>63</sup> Walsh argued that the antitrust laws were defeating the purpose they were designed to serve, since the inability of independent firms to cooperate promoted mergers to escape from excessive competition. "Competition is an inherent characteristic of human nature," Walsh reflected, but "natural" competition was being extinguished by "predatory" competition "obnoxious to the economic welfare of the public, because it tends to result in monopolistic practices".<sup>64</sup> The independent producer loomed large in Senator Nye's priorities also. He argued the case for antitrust relief on the grounds that to prevent the inroads of monopolisation, the small entrepreneur should be allowed to achieve a countervailing, cooperative power against his corporate counterpart. Nye described his own efforts as stemming from an appreciation of the "dangers which are besetting the independent industrial units from the groceryman to the manufacturers".<sup>65</sup> These appeals to the American tradition of independent proprietorship expressed a genuine concern

62. H.R. 7448 (Lewis); S. J. Res. 87 (Steiwert).

63. Congressional Record 75, 72nd Congress, First Session, 1932: 14977.

64. Ibid., 173.

65. Ibid., 1287.

about the nature of economic and social change and reflected the sensitivity of the sponsors of antitrust reform to charges that they were abetting the process of consolidation by advocating coordinated industrial planning.

Interest in revision was more muted in the Second Session of the 72nd Congress, but revived during the first six weeks of the succeeding Congress. The culmination of this revival was the passage of the N.I.R.A. The inability of the revision movement to make any significant headway before 1933, particularly during the First Session of the 72nd Congress, is not open to ready explanation given the widespread interest displayed in antitrust law reform. Revision met with no legislative success despite congressmen's appreciation of the deteriorating economic situation, the destructiveness of excessive competition, the plight of the natural resource industries, and the efforts of influential groups to secure antitrust law relief.

Undoubtedly, political considerations were influential in determining the 72nd Congress's inaction. The fact that 1932 was a presidential year inhibited congressional conduct. Consideration of corporative proposals which smacked of iconoclasm towards cherished national ideals could have been a political liability for congressmen who wished to retain their seats as well as for presidential aspirants and the major political parties. The New York Times anticipated the avoidance of the antitrust question by the 72nd Congress and suggested that neither party would wish to associate itself with new legislation sponsored by "a definite industrial class" and identified with the "vested interests". Furthermore, it appreciated that other outstanding issues would deflect the attention of Congress, such as unemployment

relief, the veterans' bonus and prohibition, which would take precedence in congressional priorities.<sup>66</sup>

Gilbert Montague argued that there had been too many antitrust proposals before Congress and that revision had been blocked because rival proposals had deadlocked with each other.<sup>67</sup> Also, a lingering respect for the competitive ideal and a caution about the radical aspects of some of the proposals must have worked against congressional action on antitrust reform, although there is no way of accurately gauging sentiment since no proposal was debated by Congress until the N.I.R.A. Certainly, specific features of some proposals must have been objectionable to congressmen such as the provision for price-fixing made in the Walsh bill - a feature which was conspicuously absent from the N.I.R.A. in 1933. Perhaps most significant, congressmen must have been deterred by the attitudes of the Department of Justice and President Hoover towards revision. In November 1931, the Attorney General, William D. Mitchell, was reported as being "askance" at proposals to broaden the authority of the F.T.C., and he gave little encouragement to revisionists throughout his period of office.<sup>68</sup> As for Hoover, his attitude to the antitrust laws was complex and given his significance to the revision movement's fortunes, the President's role requires extended discussion.

66. New York Times, 4 October, 1931.

67. Ibid., 12 October, 1932.

68. Ibid., 29 November, 1931. Himmelberg, Origins of the National Recovery Administration, op.cit., 92-96.

There was no simple and singular clarity to President Hoover's attitude to revision. An ambiguity existed as to his position which frequently confused revisionists. Despite his strict enforcement policies, disparaging references against the cooperative 'planners' and intellectual discourses on the values of competition, Hoover appreciated the instability caused by excessive competition. In particular, he was concerned about its debilitating effects on the natural resource industries and was prepared to consider selective revision for appropriate sectors. Nevertheless, during his presidency Hoover did not champion the revision movement, even in the limited sense as it applied to natural resource industries. Three principal influences determined the President's position. Clearly, his understanding of the scope of the chief executive's functions did not include the sponsorship of legislation. Also, his conviction that legislative change should emerge from thorough preparation and consensus prohibited resort to emergency expedients to counter the depression. Most important, the President was not absolutely convinced about the desirability of change in the antitrust statutes. Certain proposals for revision that came to his attention he believed to be too drastic, having dangerous implications for American ideals and institutions.

The most advanced position adopted by Hoover was to advise Congress to consider selective revision of the antitrust laws. In his first Annual Message to Congress he recognised that certain industries had not shared the general prosperity of the decade. Hoover singled out for emphasis coal, lumber, leather and textiles, and later would extend his list to include oil. The President was aware that rehabilitation was necessary to restore owners' profitability, boost labour's wage scales and promote conservation. In each of his annual messages from

1930 to 1932, he recommended a congressional enquiry into the effects of the antitrust laws on natural resource industries. Hoover first announced for selective revision at the A.F. of L.'s Boston Convention of 1930, where he disavowed the type of competition which nurtured instability:

It certainly is not the purpose of our competitive system that it should produce a competition which destroys stability in an industry and reduces to poverty all those within it. Its purpose is rather to maintain that degree of competition which induces progress and protects the consumer. If our regulatory laws be at fault they should be revised.<sup>69</sup>

The plight of the bituminous coal industry was most serious in Hoover's opinion. At Boston, Hoover identified excess capacity as the bane of the industry and the aggravant of destructive competition and sliding wage scales. The result had been the "demoralization of the industry and a depth of human misery in some sections which is wholly out of place in our American system".<sup>70</sup> The U.M.W. directed Hoover's attention to the problems of bituminous coal in September 1929, when the President was urged to call a conference of operators, workers and railroad representatives to discuss methods of rehabilitating the industry.<sup>71</sup> The Governors of Maryland and Ohio, Albert C. Ritchie and Myers Y. Cooper, supplemented the union's request for a national conference.<sup>72</sup> In June 1931, the president of the U.M.W., John L. Lewis,

69. Address, 50th Annual Convention of the A.F. of L., Boston, Mass., 6 October, 1930. State Papers, op.cit., 1: 394.

70. Ibid.

71. Van A. Bittner to Herbert Hoover, 17 September, 1929. Pres. Box 104 File, Coal. H.H.L.

72. Albert C. Ritchie to Herbert Hoover, 12 August, 1930. Ibid. Myers Y. Cooper to Robert P. Lamont, 4 August, 1930. R.G.40, Papers of Robert P. Lamont: File, Coal, 1929-1930.

renewed labour's efforts in an emotive telegram which stressed that the "cancerous nature" of the industry's ills combined with the "helplessness" of the operators had produced "chaotic conditions" against which the Federal Government could no longer remain impassive.<sup>73</sup> Lewis's initiative was buttressed by Matthew Woll who reiterated to Secretary Lamont the interest of organised labour generally in arresting the "extremely dangerous situation" in the coal industry.<sup>74</sup>

The summoning of a coal conference presented Hoover with the opportunity to direct the discussions over stabilisation and particularly to frame opinion on selective revision. However, he displayed a cautious attitude. Although the administration was "bombarded" with requests for a conference to discuss the situation in bituminous coal, it was reluctant to accede to them without prior preparation by miners and operators. Without any "constructive programs" or a "definite and positive plan" to serve as a basis for discussion, the conference would serve only "oratorical purposes" and accomplish little. "It is useless to call such conferences unless there is a definite program and some probability of its acceptance," Hoover advised the Secretary of Labor, James J. Davis.<sup>75</sup>

The administration met John L. Lewis's initiative by circularising 160 operators to gauge their willingness to attend a conference and

73. John L. Lewis to Herbert Hoover, 11 June, 1931. Pres. Box 104 File, Coal. H.H.L.
74. Matthew Woll to Robert P. Lamont, 8, 15 July, 1931. R.G. 40, Lamont Papers: File, Coal Conference, 1931.
75. Herbert Hoover to James J. Davis 21 July, 13 August, 1930; Herbert Hoover to Eugene McAuliffe, 29 September, 1930; James J. Davis to P.T. Fagan, 21 July, 1930; James J. Davis to Van A. Bittner, 14 August, 1930. Pres. Box 104 File, Coal. H.H.L. Robert P. Lamont to Myers Y. Cooper, 8 August, 1930. R.G. 40, Lamont Papers: File, Coal, 1929-1930.

to seek advice on how the government could contribute most effectively to stabilisation. "A conference which has no prospect of success could only do more harm than good," Hoover stressed.<sup>76</sup> The response of the operators was generally unfavourable. Of the 160 canvassed, only 38 were unreservedly favourable, 21 questioned the value of the proposal and 101 returned negative responses or did not reply. Since those willing to attend represented only one-quarter of the daily tonnage of those unwilling, Hoover declined to issue formal invitations.<sup>77</sup> Lewis branded the administration's circularisation of operators as "a feeble and futile gesture" which had permitted "selfish interests opposed to a conference to organize sentiment in opposition". The administration should have taken unilateral action and issued a definite specific call for a conference. As it was, Hoover had consigned the industry to "a sea of idle conversation".<sup>78</sup>

Hoover failed to seize the opportunity presented by the calls for a coal conference to bring his administration to the forefront of policy-making in the coal industry. His reluctance may be explained by his unwillingness to respond to pressure by the U.M.W. which, according to Lamont, was unrepresentative of mineworkers and whose leader had the reputation of being "high-handed and arbitrary".<sup>79</sup> Also, Hoover had reservations about holding a conference before any general consensus emerged between operators and workers on policy for the coal industry. This conformed to Hoover's long-standing convictions

76. Herbert Hoover to John L. Lewis, 29 June, 23 July, 1931. Pres. Box 104, File, Coal. H.H.L.

77. W.N. Doak to John L. Lewis, 29 August, 1931; W.N. Doak to Herbert Hoover, 28, 31 August, 1931; 'Memorandum: Replies to Canvass', 27 August, 1931. Ibid.

78. John L. Lewis to Herbert Hoover, 23 July, 1931. Ibid.

79. Robert P. Lamont to Matthew Woll, 9 July, 1931. R.G. 40, Lamont Papers: File, Coal, 1929-1930.



about the publicity functions of conferences and the need for thorough preparation to ensure their success. Finally, Hoover's reliance on private initiative precluded any unilateral action by his administration, and perhaps, Hoover could not consider a prominent initiatory role since the administration itself had no specific policy. "We have felt here that the solution must come largely from industry itself," wrote Lamont. "I am frank to admit that I don't know what the solution is."<sup>80</sup>

Despite expressions of sympathy by Hoover and his administration about the inadequacy of existing laws to remedy the problems faced by bituminous coal, no initiative was forthcoming from the executive. Hoover seems to have been convinced that the proper sources for stabilisation schemes lay within the private sector and in Congress rather than in the executive branch of government. When Governors Meier and Hartley called for Hoover's support for antitrust law relief for the ailing lumber industry, the President's response was to place the responsibility upon Congress, regretting that his own efforts to secure a congressional enquiry had brought no results.<sup>81</sup> Beyond his annual recommendations to Congress, Hoover would not commit himself to championing antitrust relief for the natural resource industries.

The same circumspection that Hoover displayed towards selective revision on behalf of the natural resource industries was apparent elsewhere. To trade association executives who requested that the

80. Robert P. Lamont to Dwight S. Harding, 4 September, 1931. Ibid.

81. Herbert Hoover to R.H. Hartley and J. Meier, 11 July, 1932; Herbert Hoover to Julius Meier, 14 July, 1932. Pres. Box 64 File, Antitrust Laws. H.H.L.

President endorse their organisational activities, Hoover's response was restrained. Rather than issue rallying cries for organisation, Hoover's endorsements were positive but vague.<sup>82</sup> He received the Truce Plan of February 1932 with typical equivocation. While he "greatly deplored" destructive competition and its consequences, he was not prepared to comment on the plan until it was given tangible legislative form.<sup>83</sup>

Hoover's equivocation disappeared when he considered specific proposals for revision which intimated a transformation of American values and institutions. As he recounted in his Memoirs: "There was a multitude of gloomy prophets who depicted that the era of progress was exhausted, that our way of life was nearing an end, that our social and political system was disappearing."<sup>84</sup> Hoover regarded the Swope Plan and the report of the Chamber of Commerce's Committee on the Continuity of Business and Employment in these terms and was unrestrained in his condemnation of them.

Although he received a complimentary copy of Swope's address before its delivery, Hoover seems to have been aware of its contents as early as June or July, 1931. The President was critical of both the unemployment insurance and trade association features of Swope's plan. Government subsidisation of insurance schemes and the administration of them by trade associations was undesirable and Hoover saw no reason to displace existing facilities for insurance by establishing

82. V.G. Iden to George Akerson, 18 September, 1929; Herbert Hoover to Charles F. Abbott, 11 November, 1929. P.P.F. Box 3 File, American Institute of Steel Construction. H.H.L. Leslie C. Smith to Herbert Hoover, 20 April, 1931; Herbert Hoover to Leslie C. Smith, 29 April, 1931. Ibid., Box 4 File, American Trade Association Executives.

83. Herbert Hoover to Malcolm D. Whitman, 11 February, 1932. Pres. Box 90 File, Business - Correspondence. H.H.L.

84. Herbert Hoover, The Hoover Memoirs, 1929-1941, 3 vols. (London, 1953), 3: 32.

new agencies. Swope's ambition to stabilise prices through trade association activity was merely "price fixing" in veiled vocabulary. In effect, the plan would repeal the antitrust laws and foster "the organization of gigantic trusts such as have never been dreamed of in the history of the world". The monopolisation of industry which the plan portended would result in industrial degeneration as obsolete plants and inferior managements were to be protected under its terms.<sup>85</sup>

The intrinsic flaws of the plan were not the only cause of Hoover's concern, since it was to be "launched under important Democratic auspices" with "tremendous publicity", and a large, standing organisation was to be created on its behalf. "I will probably have to meet it in Congress," Hoover advised the Solicitor General, Thomas D. Thatcher. To prepare for this contingency and to check any popular boom in its favour, Hoover invited the Department of Justice to confirm the impressions of his "amateur legal mind" that the proposals were "thoroughly unconstitutional", and the President used Sen. Felix Hebert (Rhode Island), a member of the Committee on the Judiciary, as his intermediary with the press. Hebert was supplied with material by the White House to relay Hoover's criticisms to the national press and the President expressed interest in Hebert's efforts, regretting that one release "did not get the national distribution it deserved".<sup>86</sup>

85. Gerard Swope to Herbert Hoover, 11 September, 1931. Pres. Box 86 File, Swope, Gerard. H.H.L. In the chronological files for June-July, 1931, there is an untitled outline of the Swope Plan and an undated, unsigned memorandum which discusses the plan. The memorandum is the basis for Hoover's recollections of his reaction to the Swope Plan which appears in his Memoirs. Ibid., Box 92 File, Stabilization of Industry - Plans.

86. Herbert Hoover to Felix Hebert, 11, 16, 22 September, 1931; Felix Hebert to Herbert Hoover, 15, 18 September, 1931; 'Statement of U.S. Senator Felix Hebert on the subject of Stabilization of Industry', n.d.; Herbert Hoover to Thomas D. Thatcher, 12 September, 1931; Thomas D. Thatcher to Herbert Hoover, 14 September, 1931. Ibid.

Hoover regarded the Swope Plan as disturbing in terms of its economic and social implications, and threatening because of the likelihood of its consideration by Congress. It confirmed his belief that the distress which accompanied the depression would give rise to undesirable expedients which might have a lasting and deleterious impact on American life. "I have found that the same despair as to the future and the same desire to effect immediate and radical remedies have taken place in every depression in our history," Hoover reflected. "We always learn something from depressions and we always make some gains, but I do not believe we make those gains until we have been able to see the full picture."<sup>87</sup>

In his Memoirs Hoover recounted how the Chamber of Commerce proposal "struck me at the time as a bit humorous, coming as it did from that citadel of economic freedom". Having "fretted greatly" over the antitrust laws, the Chamber devised a plan which "violated the primary canons of liberty". The Committee on the Continuity of Business and Employment's proposal was "sheer fascism", being modeled on the corporatism of Mussolini's Italy and involving the monopolisation of American industry. When the Chamber approached Hoover to endorse its programme, the President declined.<sup>88</sup>

Much of Hoover's retrospective bile about the Chamber's planning proposal was due to his conviction that spokesmen had exerted undue pressure on him to support it, by linking his endorsement with business support for his presidential campaign of 1932.<sup>89</sup> Relations between the Chamber and the Hoover administration were often strained during 1931

87. Herbert Hoover to John R. Freeman, 23 September, 1931. Ibid.

88. Hoover, Memoirs, op.cit., 3: 335; 420.

89. Ibid., 335.

and 1932. Considerable tension stemmed from the critical comment by the Chamber's organ, Nation's Business, about the utility of work performed by bureaus of the Department of Commerce. The Assistant Secretary, Julius Klein, regretted that the publication's hostility had lessened the "collaborative enthusiasm" of the Department's experts who had received criticism. Furthermore, the journal seemed to reflect accurately the views of leading spokesmen within the Chamber who made no effort to curb the "avalanche of misrepresentation" to which the Department was subjected. Even the accession of Henry Harriman as the Chamber's president did not stem "the unrestrained campaign waged against the Department". While Harriman was personally amenable, Klein contended that "the line-up within that organization still leaves much to be desired before we can count on mutually helpful cooperation".<sup>90</sup>

The Committee on the Continuity of Business and Employment seems to have exacerbated tensions between Chamber and President. Hoover received the results of the referendum on the Committee proposals on 18 December, 1931. It appears that Julius Barnes contacted Hoover to urge his support for the Report's recommendations and that the two men had some sort of argument. On 22 December, Hoover wrote of his "lost temper" and his "keen remorse" for treating Barnes so badly. The reason for Hoover's indisposition seems to have been Barnes's attempts to push him to adopt positions for which he was unprepared. "I lose my temper occasionally," Hoover confessed, "when I am at work with both hands on the bellows trying to get the iron hot while my friends, justifiably impatient with the progress of events, urge me

90. Dr. Klein to Secretary Lamont, 9 November, 1931; Dr. Klein to Feiker, 21 April, 1932; Julius Klein to Wesley O. Ash, 19 July, 1932. R.G. 40 File, 92001/2.

to pull the iron before it is of the right temperature."<sup>91</sup> For his part, Barnes sympathised with "the strain" under which the President worked, but desired only to be useful to him by transmitting information of trends in business opinion. "I do have unusual contact with various shades of business conviction, not only here [in New York] but across the country as well," Barnes replied. "I desire sincerely to interpret and convey that conviction in a single desire to be helpful."<sup>92</sup> After the incident between Barnes and Hoover, Chamber pressure on the President eased. Henry Harriman made two attempts to secure his support for antitrust revision in June and September 1932, but received no satisfactory response on either occasion.<sup>93</sup>

Generally, while Hoover recognised that a reduction of destructive competition was desirable he insisted that it be made compatible with American ideals. He was opposed to any outright repeal of the antitrust laws which he felt that Swope and the Chamber were demanding. Repeal would create more problems than it solved, particularly by promoting monopoly and stultifying competition, which was the major incentive to economic progress. "There can be a degeneration of competition of such destructive order," Hoover advised a West Virginia audience in 1932, "that it becomes of first importance in the maintenance of proper home life amongst our people."<sup>94</sup> A satisfactory approach to the problem would ensure economic objectives without sacrificing national ideals,

91. Herbert Hoover to Julius H. Barnes, 22 December, 1931. P.P.F. Box 6 File, Barnes, Julius. H.H.L.

92. Julius H. Barnes to Herbert Hoover, 28 December, 1931. Ibid.

93. Henry I. Harriman to Herbert Hoover, 13 June, 1932; Herbert Hoover to Henry I. Harriman, 15 June, 1932. Pres. Box 64 File, Antitrust Laws. H.H.L. Hoover, Memoirs, op.cit., 3: 335.

94. Third Annual Message; Campaign Speech in West Virginia. State Papers, op.cit., 2: 51-52; 364.

and eradicate evils without jettisoning the fundamental purpose of the laws.<sup>95</sup> It was necessary to secure "a limited cooperation to prevent this destructive action" while remaining loyal to the competitive ideal in general terms.<sup>96</sup>

The solution was not to come from Hoover himself. He did not advance any specific programme for selective revision and the subject was not part of his 'Twelve Point Non-Partisan Economic Program' of December 1931. Rather he felt that it was a matter for congressional action following a thorough investigation of the effects of the laws.

Hoover's stance may be condemned as passing responsibility to Congress and declining to pit the prestige of his office behind the revision movement. It may be noted also, that Hoover's approval of selective revision fell well short of the sentiment for wholesale revision developing in Congress and elsewhere. Nevertheless, the posture was typical of Hoover's cautious liberalism. While he fore-swore to no static relationship between government and society, he was cautious about fundamental legislative change, and was adamant that change should not be imposed by the government upon the people. Change should occur only when "public understanding" had matured sufficiently to warrant it. In this sense, government responded to, or kept pace with public opinion and not the reverse. If change was foisted upon the people, and the people were unprepared for change, the nation would suffer from the "deadening hand of centralization". Hoover clarified the application of these principles to the antitrust laws before the American Bar Association in October 1932. His particular concern was that the American businessman was not prepared for change

95. Campaign Speech, St. Louis, Missouri, 4 November, 1932. Ibid., 438.

96. Campaign Speech, West Virginia, Ibid., 363.

and would use revision to benefit his immediate self-interest to the detriment of the general welfare. Legislative change would have to wait a transformation of attitudes on the part of the business community, or as Hoover put it: "Fundamental advancement in the control of great business and great enterprises lies in the growth of the social instinct and social responsibility of the men who direct these enterprises."<sup>97</sup> Only in isolated cases had businessmen learnt the virtues of cooperation and begun to understand the harmony between the public interest and private profit. Hence, at most, Hoover could only endorse selective revision of the antitrust statutes.

Hoover's reluctance to campaign for antitrust law reform seems to have been crucial to the fortunes of the revision movement during 1931 and 1932. However, other factors contributed to its failure. Even within industry itself no absolute consensus had been achieved as to the desirability of revision. Some businessmen in industries which suffered from excessive competition felt threatened by the prospect of having to conform to stipulated standards, and in the process, of losing their competitive advantages. These elements hampered the revision movement's efforts in the coal, oil and textile industries. Where business and labour concurred on the need to provide for cooperation between producers, differences arose concerning the role of the Federal Government in the stabilisation process and the desirability of unionisation. In the coal industry, disagreements on these issues were insurmountable and confounded the achievement of a united front of labour and management in support of antitrust

97. Address, Meeting of the American Bar Association, Washington, D.C., 12 October, 1932. Ibid., 333-334.



revision. Political problems existed also, some of which were germane to Congress while others were associated with the President's attachment to the competitive ideal. Both Congress and the President expressed interest in revision but neither provided the necessary thrust to secure its accomplishment.

However, the movement for antitrust reform was unsuccessful despite many advantages in its favour, which gave the movement a continuing vitality and an ability to weather political setbacks. Advocates of reform marshalled an impressive battery of arguments to justify their cause and which could be used to appeal to either the idealistic or the technocratic imagination. They could also claim a broad base of support behind their proposals which was both ideologically variegated and influential. Unlike the movement for a national economic council and its demise after the LaFollette hearings, political failure did not discredit the revision movement. Rather it was to gain strength as economic conditions deteriorated during the presidential 'interregnum' and as Hoover's doctrine of voluntary associationism was shown to be incapable of dealing with the economic crisis.

CHAPTER 7: THE SHARE-THE-WORK MOVEMENT, 1932-1933: THE FAILURE  
OF VOLUNTARY ASSOCIATIONISM

The depression and its effects upon employment reinforced the efforts made during the 1920s by organised labour and some employers to secure a shorter working-week.<sup>1</sup> However, the emphasis of advocates' arguments changed with the advent of the depression. In a period of prosperity reduced working hours were defended in terms of the virtues of greater leisure for the workingman and the equitability of rewarding labour for its increased efficiency due to technological change in industry. During the early years of the depression the shorter working-week was regarded as a means of combatting the unemployment emergency. Shorter working hours involved the 'spreading' of work by sacrificing a portion of the working time of the fully employed to open employment opportunities for the unemployed.

Work-sharing commanded persuasive arguments in its favour. In its most humanitarian form, the case for spreading-the-work stressed its positive role in relieving the distress which accompanied mass unemployment and in elevating the dignity and morale of the jobless. At its most self-interested, work-sharing would ease the strain on private and public relief agencies and relieve the burden on taxpayers and donors to charity. Some advocates claimed that work-sharing would have beneficial economic results by spreading purchasing power more evenly, increasing consumers' expenditures, and promoting economic recovery. Others revived the 1920s' positive prospect of increased leisure in their claims that the short-work-week was a necessary

1. For critical appraisals of the shorter hours movement in the 1920s, see Marion Cotter Cahill, Shorter Hours: A Study of the Movement since the Civil War (New York, 1932): 221-259. David Brody, 'The Rise and Decline of Welfare Capitalism', in John Braeman et al. (eds.), Change and Continuity in C20 America: The 1920s (Columbus, 1968): 147-148.

long-term adjustment to technological change. The concern expressed about technological unemployment during the early years of the depression and the recognition of the dispensability of labour in a mechanised and automated industrial structure, inflated work-sharing from a short-term expedient into a long-term solution for the displacement of manpower by machines. Sen. George W. Norris claimed in 1933 that the pace of technological change had been increased by the depression and that even if industry could resume its production levels of 1929, between five and six million workers would remain unemployed. There was no alternative except to limit the hours of labour. "The very fundamental principles of our civilization must be changed," Norris asserted. "If we do not change peacefully, they will, in the end, be changed by revolution."<sup>2</sup> This fear of social and political convulsion in the absence of ameliorative programmes was a central theme for many advocates of work-sharing.

Organised labour entered the depression with a commitment to a shorter working week. In its convention of 1929, the A.F. of L.'s Executive Council rested its case on the values of leisure "essential to the full measure of living" and made possible by the increasing mechanisation of industry. A resolution in favour of a five-day week, universally applied, was unanimously adopted by the convention.<sup>3</sup> The depression made the issue more urgent. In his keynote address to the convention of 1930, William Green advised that it was the "inflexible" and "irrevocable" purpose of his organisation to secure the five-day week. The Executive Council made reduction of working hours the first

2. George W. Norris to Jud Pierce, 15 May, 1933. See also, George W. Norris to H.H. Harper, 19 June, 1933. George W. Norris MSS: Box 69 File 12. Library of Congress.

3. Proceedings, 49th Annual Convention, A.F. of L., 1929, op.cit., 46-47; 388-389.

point in its unemployment programme, and the Committee on the Shorter Workday described hours limitation as an "industrial necessity".<sup>4</sup>

At the organisation's convention of 1931, Green demanded the immediate implementation of the five-day week and suggested consideration of further reduction if necessary to share work equitably. The Committee on the Shorter Workday claimed that reduced working hours would provide relief by fostering a greater diffusion of jobs amongst the employable, and would assist recovery by stimulating consuming power through increased leisure.<sup>5</sup> The gravity of the unemployment crisis during 1931 and 1932 prompted organised labour to make its demands for a shorter working week more precise. In his testimony before the LaFollette committee investigating the establishment of a national economic council in December 1931, Green declared that a thirty-five hour week would be sufficient to eliminate unemployment.<sup>6</sup> However, the worsening unemployment situation of 1932 forced a reappraisal of the extent to which working time would have to be reduced. At the A.F. of L.'s convention of 1932, Green called for the thirty-hour week, characterising it as "the one great reform now needed in order to inspire hope and faith and confidence".<sup>7</sup> By 1932, organised labour was no longer willing to rely on the goodwill of management to institute the shorter working week and demanded government legislation to "electrify" the situation.<sup>8</sup>

4. Proceedings, 50th Annual Convention, A.F. of L., 1930, op.cit., 3; 60; 265.

5. Proceedings, 51st Annual Convention, A.F. of L., 1931, op.cit., 6; 78; 281.

6. Hearings, Establishment of a National Economic Council, op.cit., 605.

7. Proceedings, 52nd Annual Convention, A.F. of L., 1932, op.cit., 65.

8. Ibid., 6.

Work-sharing was also supported by elements of the business community, since it allowed businessmen to reconcile community pressures that they should lead in providing solutions for the unemployment problem, with the practical advantages that hours limitation offered to them. Businessmen employed various arguments in favour of work-sharing. The manufacturer, L.C. Walker, contended that the depression presented a "great clinical opportunity" for businessmen and sociologists to research into the potential of leisure and to give the "idleness" of cyclical unemployment a more positive connotation.<sup>9</sup> His Distributed Leisure (1931) was critical of the prevailing scale of values which placed priority on material considerations above leisure and Walker sought to persuade Americans of the need to reappraise the role of leisure in society.<sup>10</sup> Similarly, Ralph Flanders pointed to the irony that leisure enforced by the depression was regarded as "a curse instead of a blessing, bringing bodily and mental distress instead of refreshment and recreation". Flanders urged that the organisation of leisure and its transformation into useful forms should be made a social priority.<sup>11</sup> The problem of leisure was often considered in the context of technological unemployment and the prospect of permanent under-employment in the American economy. Henry Harriman felt that a general shortening of working hours and greater leisure was the most positive response to technological unemployment. In 1930, he suggested that industry should adopt the goals of gradually reducing

9. L.C. Walker, 'The Share-the-Work Movement', The Annals 165 (January, 1933): 17-19.

10. Idem, Distributed Leisure: An Approach to the Problem of Over-production and Unemployment (New York, 1931): 7.

11. Flanders, 'Engineering, Economics and the Problem of Social Well-Being', op.cit., 109.

the working-week to thirty hours, and establishing a working life of forty years for its employees which would begin at the age of twenty and end at sixty.<sup>12</sup>

Aside from social gains, work-sharing would have favourable ramifications for the economy. L.C. Walker understood that unemployment had an adverse effect upon the purchasing power not only of the unemployed worker, but the employed worker also, because job insecurity made him reluctant to spend his income. Although Walker admitted that distributed employment would not increase the total wage fund, it would increase effective purchasing power by removing the fear of imminent redundancy.<sup>13</sup> Paul Mazur strongly endorsed the forty-hour, five-day week through his conviction that an additional day of leisure would increase consumption and production and lead to "a business boom of gigantic proportions".<sup>14</sup>

Wallace B. Donham had no expectation that the short-work-week would result in economic recovery; its likely effect would be to reduce total purchasing power. Nevertheless, he perceived an indirect stimulus to industry in work-sharing because it would assuage business anxiety about government interference in the economy: "Its principal effect would be to obviate the necessity of doles and charity with their consequent disturbance to the social structure."<sup>15</sup> Forbes magazine warned of the growing impatience of the working class with the unemployment situation and the threat that this posed to the

12. Henry I. Harriman, 'The Meaning of the Major Business Trend of the Day': An Address before the Wesleyan University. Wesleyan University Bulletin 24 (November, 1930): 9-15.

13. Walker, Distributed Leisure, op.cit., 198.

14. Mazur, New Roads to Prosperity, op.cit., 183-186.

15. Donham, 'Twenty-Year Plans', op.cit., 109. Idem, Business Adrift, op.cit., 131-132.

stability of American society. "If work be not shared with the workers, the workers may cause us all to share something worse than depression," the journal advised.<sup>16</sup> Both arguments recommended the adoption of work-sharing by industry to preclude undesirable alternatives.

Work-sharing could serve employers' self-interest more directly. L.C. Walker warned of the dangers of unbalancing a firm's work force by reducing its complement rather than its working hours. The benefits of the division of labour as applied to a full and specialised work force had been demonstrated in the 1920s, when American industry was able to keep down its unit costs, sell at cheap prices, and achieve high volume. Resort to redundancies by employers during the depression was counter-productive, for as workers became less specialised, unit costs increased, quality declined and workers' morale suffered. Rather than lay-off unneeded workers and share tasks amongst the remainder, Walker urged that full forces be employed on a short-work-week basis, plants being in full operation for a short period and shut down for the rest. Only through this method would maximum productivity, low costs of production and the low prices necessary to stimulate volume be realised.<sup>17</sup> Myron C. Taylor confirmed that the effect of work-sharing at U.S. Steel had been to increase man-hour productivity rather than costs. Taylor believed that "a new principle" had been discovered whereby in periods of economic recession, maximum plant efficiency could be achieved if industries remained in continuous operation for a shorter working week. "It may be," Taylor suggested, that in this direction leisure will be found - and the true relation

16. Forbes 30 (1 December, 1932): 4.

17. Walker, Distributed Leisure, op.cit., 174-198.

between the man and the machine discovered."<sup>18</sup> Other spokesmen for the steel industry perceived both advantages and disadvantages in work-sharing. On the one hand, Iron Age believed that part-time work increased the cost of such items as maintenance and power. On the other hand, Steel advised that work-sharing deserved the support of industry because the alternative was relief payments and higher taxation.<sup>19</sup> This aspect of work-sharing was frequently noted by businessmen. James H. Rand, Jr. favoured an acceleration of work-spreading as a means of lightening the tax burden on employers. "American industrial employers must foot seventy percent of the cost of relief through taxation, with nothing to show in return for our money," he reflected.<sup>20</sup> L.C. Walker also found this argument persuasive. "All through the business world," he wrote, "it is beginning to be sensed that the cost of maintaining the army of unemployed is going to rest on the community, and that a large portion of this cost must fall directly upon industry itself, in the form of taxes or charity assessments, which must ultimately be reflected to a very considerable extent in increased production costs."<sup>21</sup>

Work-sharing was a specific application of President Hoover's doctrine of voluntary associationism and was central to the efforts

18. Crowther (ed.), A Basis for Stability, op.cit., 55-56. See also, Myron C. Taylor, 'A Few Observations on Employment': Radio Talk from New York, 27 January, 1931; 'Annual Meeting of Stockholders of the United States Steel Corporation, Hoboken New Jersey, 17 April, 1933. Impromptu Remarks by Myron C. Taylor and Percival Roberts, Jr.' Taylor MSS: Box 22 File, Speeches and Addresses.

19. Iron Age 130 (28 July, 1932): 157. Steel 91 (17 October, 1932): 18.

20. James H. Rand, Jr. to Rexford G. Tugwell, 7 December, 1932. Tugwell MSS: Box 2.

21. Walker, 'The Share-the-Work Movement', op.cit., 14.



of P.E.C.E. and P.O.U.R. to ameliorate the effects of the depression upon employment. It was felt that by rationing available work amongst existing work forces, businesses could cushion the effects of unemployment for the workingman and assist economic recovery by spreading purchasing power. The emphasis of the Hoover agencies' efforts was on stimulating voluntary initiative by individual firms. This would be achieved by copious publicity which stressed the accomplishments of leading and influential companies which had adopted methods of work-sharing. Standard Oil of New Jersey, Kellogg Co., Goodyear Tire and Eastman-Kodak Co. were often cited for their exemplary adoption of work-sharing practices. Alternative methods of work-sharing were publicised such as the reduced weekly or daily schedule, shorter and continuous shifts, rotation of days off, and transfer of workers to busy departments or to maintenance work.<sup>22</sup>

Agency officials did not believe that work-sharing, in itself, was a complete response to the problems of industrial stabilisation. Nevertheless, they regarded the implementation of work-sharing programmes as a first positive step towards more comprehensive planning by management to achieve stabilisation goals. "By present experience many business leaders are becoming convinced that further employment

22. For examples of government publications which urged the general adoption of work-sharing and contained alternative methods of spreading the available work, see U.S. Department of Commerce, Emergency and Permanent Policies of Spreading Work in Industrial Employment (Washington, D.C., March, 1931). Idem, Spreading Work: Methods and Plans in Use by William J. Barrett of the President's Organization on Unemployment Relief (Washington, D.C., 1932). P.E.C.E. and P.O.U.R. periodically conducted surveys to gauge the extent of the practice of work-sharing. See, for example, 'Methods of Spreading Employment': P.E.C.E. survey, early 1931. R.G. 73 Series 19, Office Files of Erving P. Hayes.

crises may be minimized by advanced planning," Col. Arthur Woods, the chairman of P.E.C.E. asserted in 1931. "Industry is now engaged in a nation-wide experiment which, through its proven success in spreading the burden of hard times, is leading toward an ultimate stabilization, the benefits of which are beyond prediction."<sup>23</sup> The committee in P.O.U.R.'s Industrial Division to consider employment plans, chaired by Harry A. Wheeler of Chicago, appreciated that the use of work-sharing programmes by management was not a "fundamental and permanent" factor in industrial stability, but was a short-term expedient.<sup>24</sup> However, it sensed that work-sharing initiatives might lead to a new concept of work whereby available employment would be distributed according to society's needs. The committee suggested that employment should be provided not according to the productive efficiency of the individual worker but with reference to his capacity for self-help. "We have arrived at a phase of our industrial progress where it is necessary to adopt a new attitude toward work itself."<sup>25</sup> Kendall K. Hoyt of P.O.U.R.'s Industrial Division defended shorter working hours in terms of the requirements of a mature industrial economy. Technological change had resulted in imbalances in the distribution of work and mass purchasing power as workers were displaced by technological innovations. During the 1920s, the situation was compensated by the emergence of new industries, aggressive

23. 'Spreading the Work Becomes a Major Factor Toward Recovery', P.E.C.E. Press Release, 12 July, 1931. R.G. 73 Series 12, Office Files of Erving P. Hayes.

24. 'Statement and Resolutions of the Committee on Employment Plans and Suggestions, Chicago, Illinois, 28 and 29 September, 1931'. R.G. 73 Series 19, Employment Plans and Suggestions, Wheeler Committee.

25. U.S. President's Organization on Unemployment Relief, Introductory Statement and Recommendations of the Committee on Employment Plans and Suggestions, Chicago, Illinois, 26 and 27 October, 1931 (Washington, D.C., 1931): 9-10.

salesmanship and expanding markets, which maintained employment at acceptable levels. The abrupt decline of international markets after 1929 and the poor prospects for improvement made the employment problem critical since technological change continued despite the depression and with serious implications for jobs. Hoyt rejected any "do-nothing" response to the depression and suggested that a forty-hour week, voluntarily instituted and supervised by industrial organisations, would absorb much of the current unemployment. The alternative to work-sharing was serious social dislocation: "Greater suffering among the unemployed, greater unrest and violence, a further breakdown of morale and more unsound legislation to meet a popular demand for panaceas." Hoyt defended work-sharing as essential "both as an immediate and permanent remedy against existing economic conditions". In the short-term, it was necessary to cushion unemployment and restore an internal market for the products of industry, while in the long-run, it would serve as an effective response to technological change in a mature industrial economy.<sup>26</sup>

The Federal Government expended considerable effort to persuade employers to adopt work-sharing schemes. Periodically, both P.E.C.E. and P.O.U.R. conducted surveys of firms in industry which practised work-sharing, and made their findings available to the business community through published material. The aim was to combine access to information with exhortation to encourage businessmen to voluntarily plan their work schedules to secure maximum employment. The surveys sometimes lacked adequate sampling. For instance, in May 1931, P.E.C.E. based its conclusions in a report on work-sharing on the replies of only fifty-five companies which represented just over one million

26. Kendall K. Hoyt, 'The Need for Shorter Working Hours', Confidential Report, n.d. R.G. 73 Series 19, Five-Day Week.

workers, and recognised, in its internal correspondence, the survey's "limited coverage".<sup>27</sup> This did not deter the agency from claiming in its publicity that work-sharing had become "one of the most important factors for business recovery" and that "several millions" of workers were employed part-time as a consequence.<sup>28</sup> In practice, voluntary associationism required the government to persuade as well as inform to secure action in the private sector, and the Hoover administration had few scruples about distorting facts to suit its purposes.<sup>29</sup>

Work-sharing was merely one aspect of the general programmes of P.E.C.E. and P.O.U.R. to ameliorate unemployment and promote recovery by harnessing private cooperation. However, during the autumn of 1932, Hoover decided to focus specifically on the work-sharing approach and to create an agency to fulfil its objectives. During 1932, the President received various requests that the administration sponsor a work-sharing drive, which specified precise goals and pitted the prestige of the chief executive behind the movement.<sup>30</sup>

27. 'Special Survey of Emergency Employment Measures in Large Industrial Firms, Preliminary Report of 15 May Returns': Confidential Memorandum, 10 July, 1931. R.G. 73 Series 12, Office Files of Erving P. Hayes.
28. 'Spreading of Work Becomes a Major Factor Toward Recovery': P.E.C.E. Press Release, op.cit.
29. Later surveys of P.O.U.R. were more comprehensive in coverage. See 'Spreading of Work': Memorandum from W.J. Barrett, n.d. (c. October-December, 1931). 'Extent of Use of Work Spreading Practices': Agency Memorandum, n.d. (c. October-December, 1931). R.G. 73 Series 7, Office Files of Fred Croxton-Barrett.
30. See, for example, Kenneth E. Stuart to Herbert Hoover, 19 April, 1932. Milton J. Florsheim to Herbert Hoover, 22 April, 1932. Harold McGugin to Herbert Hoover, 27 May, 1932. Pres. Box 122 File, Eight-Hour Law. H.H.L. Benjamin A. Javits to Herbert Hoover, 19 September, 1932. Ibid., Box 123 File, Eight Hour Law.

Supplementing these individual appeals, national business organisations expressed interest in instigating a shorter working week. In September 1932, the Chamber of Commerce established a Committee on Working Periods, chaired by P.W. Litchfield of Goodyear, to investigate the advisability and feasibility of work-spreading in the current emergency, and to consider the long-term prospects for shorter working periods in industry.<sup>31</sup> The National Civic Federation declared for a shorter working week in August 1932. The organisation's chairman, James W. Gerard, endorsed a thirty-hour week on 1 August, and its executive director, Ralph M. Easley, wrote to Hoover that the shorter working week might seem like "taking coals to Newcastle" in the present economic climate, but that it might "give a little aid" and received the support of the Federation accordingly.<sup>32</sup>

Hoover responded cautiously to this upsurge of interest in a shorter working week. The President feared that a boom might develop for a legislative solution which would stipulate mandatory compliance. Not only was this inimicable to voluntary associationism, but Hoover rejected any constitutional basis for legislative action.<sup>33</sup> He sought to defend his presidential record as a sponsor of shorter working hours and claim success for the voluntary approach. "I have long sympathized with the idea of the shorter week," he wrote to Harold McGugin. "As a matter of fact under proposals I have made and in cooperation with

31. Nation's Business 20 (October, 1932): 32. The Litchfield committee report was issued to the press on 1 April, 1933. It recommended a forty-hour maximum working week, voluntarily applied. New York Times, 2 April, 1933.
32. Extract from statement made by James W. Gerard, 1 August, 1932. Ralph M. Easley to Lawrence Richey, 2 August, 1932. Pres. Box 123 File, Eight Hour Law. H.H.L. Ralph M. Easley to Lawrence Richey, 9 August, 1932. Ibid., Box 246 File, National Civic Federation Correspondence.
33. Herbert Hoover to Kenneth E. Stuart, 23 April, 1932. Herbert Hoover to Milton J. Florsheim, 25 April, 1932. Ibid., Box 122 File, Eight Hour Law.

industry we have brought this very thing about in a large proportion of employment today."<sup>34</sup> However, Hoover was not sanguine about his work-sharing efforts and in a press conference of 23 July, 1932, spoke of the possibility of "a new stage for action" on work-sharing.<sup>35</sup> This was provided in August 1932, when the President institutionalised the work-sharing movement in a separate and privately administered agency.

'The Share-the-Work Movement', as it was titled, was inaugurated by Hoover on 26 August, 1932, at a White House conference of national banking and industrial leaders. The organisation was officially established on 1 September, 1932, when a national headquarters was opened at the Federal Reserve Bank Building in New York City. Walter Teagle was appointed chairman of the organisation, securing leave of absence from Standard Oil, New Jersey, to devote his entire energies to the project.

Hoover believed that the Movement had considerable potential to reinforce and enlarge the efforts of P.E.C.E. and P.O.U.R. By giving specific focus to work-sharing the Movement would inspire the adoption of the shorter working week nationwide. It would do much to ameliorate unemployment and create the purchasing power which would "speed" business recovery.<sup>36</sup> "It is doubtful whether any action we could take at this time would so greatly accelerate our progress, serve the welfare of our unemployed millions, or so quickly give us as a nation the benefit of widespread spending power as further spread

34. Herbert Hoover to Harold McGugin, 1 June, 1932. Ibid.

35. State Papers, op.cit., 2: 241.

36. Herbert Hoover to Walter C. Teagle, 21 November, 1932. Pres. Box 210 File, National Conference of Business and Industrial Committees. H.H.L.

of equitable plans of sharing the available work," Hoover claimed.<sup>37</sup> The Movement's general objective was to put between one and two million men back to work through a campaign of persuasion directed at employers. To achieve this target employers were advised not to resort to further redundancies; to create employment vacancies by reducing hours for those already employed, and to supplement their work forces.<sup>38</sup> The Movement restricted itself to no one approach of hours limitation - such as the six-hour day, or five-day week - but merely sought to persuade employers to adopt any scheme of work-sharing that would increase employment. While the Teagle committee advised reductions in hours of work, it stipulated that wages should remain adequate to ensure the worker a reasonable standard of living. As The Survey Graphic later testified, the Movement "at no time advocated the reduction of compensation below the levels necessary for subsistence".<sup>39</sup>

As a confidential memorandum explained it, The Share-the-Work Movement was anchored in the doctrine of voluntary associationism. The Movement's practical purpose of increasing employment in periods when it was not possible to increase the volume of work, was accompanied by a "social aspect" which involved community self-help: "It involves cooperation on the part of all on the payroll, from the highest executive to the humblest worker, and entails sacrifices by each." The work-sharing drive would involve established organisations: businessmen's

37. State Papers, op.cit., 2: 272.

38. Walter C. Teagle to Herbert Hoover, 19 August, 1932. Pres. Box 210 File, National Conference of Banking and Industrial Committees. H.H.L. Walter C. Teagle to Julius Klein, 16 September, 1932. Walter C. Teagle to James F. Bell, 23 September, 1932. R.G.40 File, 81560/8. Remarks at Luncheon arranged by Myron C. Taylor, 2 December, 1932: 'To Further the Share-the-Work Movement'. Taylor MSS: Box 22.

39. Survey Graphic 22 (July, 1933): 355.

associations at national, State and local levels, labour organisations, and citizens' and social associations. Aggressive publicity would be central to the securing of public support for work-sharing, although the Movement would be careful not to cultivate any false optimism: "It is of the highest importance that all publicity should be of a conservative nature and such as not to create a public impression, particularly among the unemployed themselves, that a miracle is being wrought and that the whole unemployment problem is to be corrected overnight." Voluntary associationism could offer no categorical or facile solutions to current problems. "On the contrary," the memorandum continued, "we face a long and arduous task."<sup>40</sup>

Structurally the Movement was organised on a regional basis, conducted by banking and industrial committees established in the twelve Federal Reserve districts, whose activities were coordinated by the central office in New York. The central office was staffed by representatives from each district.<sup>41</sup> Efforts were made by the national and district organisations to obtain the support and cooperation of major national, State and local organisations, such as the Chamber of Commerce and the National Association of Manufacturers, whose influence was considered indispensable to the effort.<sup>42</sup> Particular attention was paid to convincing influential industrialists of the Movement's value, and appeals were made for their support of the organisation's programme. Teagle emphasised the importance of business leaders'

40. 'Share the Work': Confidential Memorandum to the Banking and Industrial Committees, n.d. R.G. 40, File, 81560/8.

41. The first of these committees was established for the New York district during the spring of 1932 and was composed of six leading bankers and six prominent businessmen. It sought to encourage banks and businessmen to avail themselves of the credit opportunities made available by the Hoover recovery programme. In May, Hoover advised the formation of similar committees in the other districts. For background to the Banking and Industrial committees see the five files in Pres. Box 12 Files, Banking and Industrial Committees. H.H.L.

42. New York Times, 2 September, 1932.



support during his remarks at an organised businessmen's lunch: "Your leadership in cooperating with our movement will do more than anything else to put this over in a way that no individual or organization we could create would be able to do it," [sic].<sup>43</sup>

Share-the-Work was endorsed by influential figures in politics and industry. David Sarnoff, the president of R.C.A., regarded it as "the proper approach to some of the problems that confront us".<sup>44</sup> Lamont du Pont, president of E.I. du Pont Co., was "sold on the fundamental idea of work sharing", while Myron C. Taylor regarded the organisation's work as a "most important economic activity".<sup>45</sup> In the State where the Movement had its headquarters, Governor Roosevelt endorsed its objectives as "an essential in the continuing emergency".<sup>46</sup> Frances Perkins regarded both the Movement and its underlying principles as "important to the program of reconstruction". Perkins was in "hearty accord" with the plan which would serve to build up "increased purchasing power in the community".<sup>47</sup> Sen. Robert F. Wagner also gave his support to the Movement, suggesting that the increased productivity of labour would make the short-work-week a permanent as well as an emergency arrangement.<sup>48</sup> Such endorsements by prestigious national figures from industry and politics were central to the Share-the-Work effort and integral to voluntary associationism.

43. Remarks at Luncheon, op.cit.

44. New York Times, 13 January, 1933.

45. Remarks at Luncheon, op.cit.

46. Franklin D. Roosevelt to Walter C. Teagle, n.d. Pres. Box 210 File, National Conference of Banking and Industrial Committees. H.H.L. See also, 'The Governor Endorses a Shorter Work Week as a Means of Relieving Unemployment' - Letter to John Sullivan, president of the New York State Federation of Labor, 25 August, 1932. P.P.A., op.cit., 1: 227.

47. New York Times, 24 January, 1933.

48. Robert F. Wagner, 'The Problem of 25,000,000', New Outlook 156 (October, 1932): 35.

The Movement continued to function until March 1933, when, with the advent of a new administration in Washington, it was disbanded and its work transferred to the U.S. Chamber of Commerce. From its inception in 1932 to its demise during the following spring, The Share-the-Work Movement enjoyed expansion and claimed some considerable success. Local and regional committees were established and special units were formed such as the Women's Division, under the direction of Mary Rumsey. Divisions were also established on trade association lines in food, drugs and chemicals to ensure uniformity of hours limitation in specific sectors.<sup>49</sup> As well as expansion, the Movement could claim to have made significant accomplishments as outlined in the reports of its district committees. The New York committee claimed that 24,656 jobs had been saved through the efforts of the Movement in that State, and that 4,082 additional workers had been employed by over three thousand New York City firms participating in the scheme.<sup>50</sup> New Jersey claimed that 28,904 jobs had been retained and 6,214 created as a result of its own campaign.<sup>51</sup> In its final report, the national organisation claimed that at least 57,000 employers, employing nearly five million workers, had actively supported the Movement and saved 1,091,282 jobs by utilising spread-work schemes.<sup>52</sup>

However, the evidence suggests that Share-the-Work was not the success hoped for by its sponsors. Rather, by the early months of 1933, it was recognised within the Movement itself that the extent of its influence was limited and that even where it had support, there was resistance to putting into practice share-the-work principles. Walter Teagle frankly discussed the difficulties in December 1932.

49. New York Times, 23 January, 1933. Remarks at Luncheon, op.cit.

50. New York Times, 19 January, 1933.

51. Ibid., 28 January, 1933.

52. Ibid., 19 March, 1933.

While he recognised and appreciated the cooperation of large manufacturers and heavy industry, he prophesied that if the Movement could not reach beyond the manufacturing sector into transportation, services, mining and agriculture, it would not be successful in "breaking this business deadlock" and would be unable to justify its existence after a further six weeks.<sup>53</sup> Even in the manufacturing sector commitment was not total. Share-the-Work spokesmen understood that a number of factors dissuaded employers from adopting work-sharing, such as the necessity of employing workers with technical expertise on a full-time basis and the fear of losing specialist workers to a competitor who continued to operate a full working week.<sup>54</sup> Furthermore, spokesmen admitted that the most dedicated employers in applying the work-sharing principle were least able to apply it effectively. The Movement's staunchest support was located in those industries such as steel and automobiles which were reducing working hours in general below acceptable levels as demand and production declined.<sup>55</sup> Elsewhere, low morale within the business community explained the reluctance of many employers to adopt work-sharing. "Hard times have been with us so long that even the good business man has become defensively self-centered,"

53. Remarks at Luncheon, op.cit. In a press release in January 1933, the Movement noted that heavy industry remained committed to the programme for manual labour, but white-collar occupations were reluctant to participate in work-sharing. New York Times, 22 January, 1933.

54. Remarks at Luncheon, op.cit. In his testimony before a Senate committee of 1933, P.W. Litchfield noted that the larger companies which spread work and maintained wages were disadvantaged by smaller companies which seized the opportunity to lengthen hours and lower wages and hence, reduce their unit costs. Hearings, Investigation of Economic Problems, op.cit., 503. See also, Thomas R. Taylor to W.J. Barrett, 6 January, 1933. R.G. 40 File, 81560/8.

55. Remarks at Luncheon, op.cit.

Teagle explained to the Secretary of Commerce, Roy D. Chapin. "Instead of helping a general situation of which he is a part, his energies have been concentrated on self-preservation."<sup>56</sup> Internal problems existed also. Teagle confessed that the performance of certain district committees, such as that of Philadelphia, had been disappointing.<sup>57</sup> By the early months of 1933, then, despite the bravura of its official pronouncements, the Movement recognised the limits of its own influence. Secretary Chapin had been pessimistic about the prospects for The Share-the-Work Movement since November. As he wrote to Edward Eyre Hunt about Teagle's efforts: "These are trying times, and our emergence from them is certainly an uncharted one - both as to when and how."<sup>58</sup>

As The Share-the-Work Movement faltered into 1933, the administration considered supplementary action which employed the work-sharing principle. In particular, the so-called 'Rand Plan' occupied Roy Chapin's fleeting attention. James H. Rand of Remington Rand Inc. proposed a 'Back to Work Campaign' which sought to re-employ three million workers for a two to three month period for at least three days a week. To fund payrolls the Reconstruction Finance Corporation would be authorised to loan \$500,000,000 for a five-year period at a nominal rate of interest. The basis of the Rand Plan was that re-employment would generate purchasing power and hence a demand for

56. Walter C. Teagle to Roy D. Chapin, 5 December, 1932. R.G. 40 File, 81560/8.

57. Ibid.

58. Roy D. Chapin to Edward E. Hunt, 20 November, 1932. Edward Eyre Hunt MSS: Box 1 File, 1932 Correspondence. H.H.L.

the products of industry, which would assist recovery.<sup>59</sup> Secretary Chapin informed Hoover of Rand's plan and advised Teagle that the administration wished "to keep all of our interested minds busy" on such suggestions since "some basic thought" might emerge which could become the basis of a non-partisan re-employment programme.<sup>60</sup> However, the President was cool to the Rand proposal, believing that it was "useless" for the expiring administration to establish the elaborate machinery needed to administer it.<sup>61</sup> In the event, the autumn drive of the Hoover administration to share the available work was its last attempt to employ the principles of voluntary associationism to ameliorate unemployment and generate some economic recovery.

Testifying before the House Labor Committee in April 1933, Teagle implied the failure of the voluntary approach to hours limitation when he condoned federal legislation to establish maximum working hours. Although he had reservations about the pending thirty-hour measure of Hugo Black because of its inflexibility, he claimed to be "entirely in sympathy with the objective of the Black bill" and that, while he

59. 'A Re-employment Plan for Putting Three Million People Back to Work on 1 February, 1933'. Copy in Tugwell MSS: Box 2. James H. Rand to Roy D. Chapin, n.d. Pres. Box 348, File, Unemployment - Share-the-Work. H.H.L.
60. Roy D. Chapin to Herbert Hoover, 2 December, 1932. Ibid. Roy D. Chapin to Walter C. Teagle, 5 January, 1933. R.G. 40 File, 81560/8.
61. Herbert Hoover to Roy D. Chapin, 3 December, 1932. Pres. Box 348 File, Unemployment - Share-the-Work. H.H.L. Numerous disadvantages were noted in a memorandum on the Rand Plan found in the Hoover papers. The most frequent criticism was that it would either duplicate or detract from The Share-the-Work Movement. See 'Memorandum on the Rand Plan'. Ibid.

believed the country had not been "ready" for short-week legislation previously: "Now, I believe it is."<sup>62</sup>

This recognition of the limitations of The Share-the-Work Movement was also an admission of the shortcomings of Hoover's voluntaristic doctrine. Indeed, there were distinct similarities between the Movement and P.E.C.E. and P.O.U.R. which both embodied the 'Hoover approach' to the depression. Like the others, The Share-the-Work Movement was inadequately financed, which explains the importance of businessmen as directing agents with their capacity to raise funds for the cause. As Teagle himself remarked: "In our effort we have had no accountants or large funds, and have operated by getting a little money here and there from our friends."<sup>63</sup> The Department of Commerce assisted the Movement by supplying information and surplus material on work-sharing published by various agencies, but would not circularise the Movement's literature under the Department's frank and requested clerical help from the Teagle organisation to assist with distribution.<sup>64</sup> A second similarity was the Movement's reliance on voluntarism: on persuading employers to limit lay-offs and hire more personnel through a general reduction in hours. Like P.E.C.E. and P.O.U.R., the Teagle organisation relied on publicity and slogan-eering to secure support for their objectives; the official slogan of The Share-the-Work Movement being 'Job security by job sharing'.<sup>65</sup>

62. U.S. Congress, House, Committee on Labor. Hearings on S.158 and H.R. 4557 and Proposals offered by the Secretary of Labor, Thirty-Hour Week Bill, 73rd Congress First Session, 1933: 511.

63. Remarks at Luncheon, op.cit.

64. Julius Klein to James F. Hodgson, 28 November, 1932. Julius Klein to Walter C. Teagle, 13 September, 1932. Walter C. Teagle to Roy D. Chapin, 9 September, 1932. Roy D. Chapin to Walter C. Teagle, 13 September, 10 November, 1932. Roy D. Chapin to William Steuart, 10 November, 1932. R.G. 40 File, 81560/8.

65. New York Times, 2 September, 1932.

Third, the Movement emphasised that it was purely an emergency organisation. Teagle justified his movement in terms of the prevailing emergency conditions: "If there was a partial food famine the available supply would be rationed to the end that all might live, and no one would question the necessity of fairness of such action. Now that there is a partial famine of work the supply of that likewise should be rationed and spread more widely so that the prediction of thirteen million unemployed ... will not be realised nor even approached."<sup>66</sup> Once the emergency was ended the Movement would dissolve, having fulfilled its function. "As business picks up," Teagle assured, "and jobs again begin to seek the man, this movement will evaporate like gasoline in the open air."<sup>67</sup>

As such, The Share-the-Work Movement represented no shift from elements of the Hoover counter-depression programme that had preceded it. Indeed, its sponsors were quick to disclaim that it was in any way innovatory. Hoover commended the strategy as avoiding "artificialities" inherent in other, more ambitious recovery schemes. He conceded that work-sharing marked no attempt to "settle here in a day great economic problems of the future" but was a call for action to confront "problems immediately before us".<sup>68</sup> Work-sharing was no novel approach

66. Nation's Business, 20 (October, 1932): 35.

67. New York Times, 15 January, 1933. For other references to the emergency character of The Share-the-Work Movement, see M. Kerlin to George Faist, 17 September, 1932. Walter C. Teagle to Roy D. Chapin and William N. Doak, 14 December, 1932. Open letter to employers from Roy D. Chapin and William N. Doak, 15 December, 1932. R.G. 40 File, 81560/8.

68. Address to the Conference of the Federal Reserve District Banking and Industrial Committees, Washington, D.C., 26 August, 1932. State Papers, op.cit., 2: 272.

to the problems of the depression, since it had been established on an ad hoc basis by individual firms and through the efforts of previous government agencies. "It grew naturally," Teagle contended, "on sheer merit as a logical means of protecting the best interests of employers and workers in a period of poor business."<sup>69</sup>

Guided by the principles of humanitarianism and political expediency and entertaining the hope that work-sharing might induce economic recovery, the Movement made no attempt to disguise its temporary nature. This stress on the immediate emergency precluded much consideration of the place of shorter hours in long-term business stabilisation schemes and industrial planning. These aspects of shorter working hours had been emphasised by P.E.C.E. and P.O.U.R. and were central to the work of theorists such as L.C. Walker and Arthur O. Dahlberg.<sup>70</sup> However, The Share-the-Work Movement dwelt on the relief and recovery elements of the shorter working week, making few references to its long-range significance. Its well-intended boast that work-spreading was instrumental in saving five million jobs during the depression, points to its relevance as a short-term expedient.<sup>71</sup>

69. New York Times, 15 January, 1933.

70. Arthur O. Dahlberg was an economist and engineer who, in 1933, was research fellow for the Social Science Research Council. In his published works, Dahlberg argued for the shorter working day in terms of securing a balance between production and consumption and improving the quality of American life. Although his work has gone largely unnoticed by recent historians, Dahlberg was considered influential by his contemporaries. Arthur O. Dahlberg, Utopia Through Capitalism: A Study of the Possibility and Desirability of a Shorter Working Day (Madison, 1927). Idem, Jobs, Machines and Capitalism (New York, 1932). John Chamberlain, 'Panaceas for the Depression: I, Solving it with a Thirty-Hour Week', New Republic 74 (29 March, 1933): 178-181. Ralph E. Flanders, 'Required Reading: Three Surveys of the Existing Economic Disorder', Mechanical Engineering 54 (May, 1932): 317-319.

71. New York Times, 22 January, 1933.



The Movement drew criticism from collectivists and labour spokesmen. Opinion in these quarters was not uniform as to the viability or desirability of work-sharing as an approach to either relief or recovery, although many conceded that it would be an essential component of a more broadly-based programme. Yet opinion was unanimous in condemning the perceived shortcomings of the Teagle organisation's efforts. Five lines of criticism may be noted: that the sacrifices which work-sharing entailed were borne by the working-class; that the Movement was cynically manipulated by business in pursuit of selfish interests; that its principles had not received broad and adequate application; that it was based on specious economic premises and finally, that it avoided rather than confronted problems posed by the depression.

Some collectivists and labour spokesmen argued that work-sharing placed the burdens of unemployment onto the shoulders of wage-earners who were least able to bear them. Since work-sharing, as its advocates freely admitted, involved no substantial increase in costs or loss of productivity, the only disadvantaged element would be those workers already employed who would be obliged to accept wage reductions to accommodate new workers on their firms' existing payrolls. As The Nation commented, the Movement made "simply another plea for saddling the costs of the depression on the workers".<sup>72</sup> Although the A.F. of L. was committed to work-sharing, it was disappointed that hours reductions had been accompanied by wage reductions which defeated "the very purpose it ... proclaimed to serve" through diminishing labour's purchasing

72. Nation 135 (14 September, 1932): 222. See also New Republic 73 (14 December, 1932): 112-113. Rugg, The Great Technology, op.cit., 144-145.

power. "It becomes a movement ... not of sharing work, but sharing poverty," the organisation declared in 1932.<sup>73</sup>

A second criticism was that the Movement was dominated by business whose interest was either in relieving tax burdens by making more employed eligible for taxation, or in lowering wages to a subsistence level so as to benefit industry once a revival got underway.<sup>74</sup>

Collectivists were unconvinced of the progressive nature of The Share-the-Work Movement. The New Republic charged the Movement with hypocrisy and suggested that businessmen could afford to utter such "noble sentiments" when they did not involve increasing payrolls or costs.

Until Walter Teagle himself should share-the-work of Standard, New Jersey, with its independent competitors, the journal would be suspicious of his Movement's sincerity.<sup>75</sup> More fundamentally, collectivists were sceptical about the value of organised business leadership which had failed palpably over three years to provide a solution for the depression.

The Nation questioned the wisdom of Hoover's reliance on "blind leadership". If the President was really committed to assisting the unemployed he should seek the advice of social workers and labour leaders instead of depending upon "discredited bankers and industrialists".<sup>76</sup>

73. Proceedings, 52nd Annual Convention, A.F. of L., 1932, op.cit., 184. See also, American Federationist 39 (October, 1932): 1102-1103.

74. Sumner H. Slichter, 'The Immediate Unemployment Problem', The Annals 165 (January, 1933): 11. Slichter had anticipated this criticism a year previously. See Idem, 'Unemployment Relief by Business', New Republic 69 (30 December, 1931): 183.

75. Ibid., 72 (12 October, 1932): 216-217.

76. Nation 135 (14 September, 1932): 222.

A third line of criticism was that work-sharing had been ineffective and inequitable in operation. Although Sumner Slichter was not opposed to work-sharing as a principle, he was dissatisfied and impatient with its accomplishments. His major reservation was that the working week and average weekly earnings were already so low that it was unlikely that work could be spread thinner without unfavourable consequences for labour.<sup>77</sup> He was concerned also that commitment to hours limitation in industry was variable. The effect of work-sharing on a firm's cost structure was frequently the decisive factor in determining whether or not the practice was adopted and in some sectors such as textiles, little attempt had been made to spread work. Slichter understood businessmen's fears that they would be disadvantaged in competition with other firms if work-sharing added to their costs. Large companies which had tended to reduce wages less drastically than they cut hours were becoming handicapped in competition with the small entrepreneur who had seized the opportunity of a labour surplus to dispense with inefficient employees and to make sharp wage reductions. Slichter perceived that large corporations were becoming increasingly reluctant to work at this disadvantage and forecast a declining enthusiasm for work-sharing and an increasing resort to lay-offs, long hours and wage reductions. Work-sharing would become viable only when it was made nationwide and this necessitated having the Federal Government

77. Slichter, 'Immediate Unemployment Problem', op.cit., 4. An illuminating insight into businessmen's attitudes to work-sharing is provided in an exchange which occurred between Rep. Glenn H. Griswold (Indiana) and Gerard Swope during the House Labor Committee hearings on the Thirty-Hour Week Bill. Representative Griswold: "They are spreading work so thin that instead of having half the world paupers out here, we have all the world paupers." Gerard Swope: "Maybe we have got all the world's paupers, but each one is supporting his family, sir." Hearings, Thirty-Hour Week Bill, op.cit., 100.

"compel" firms to adopt the practice. The criterion of reasonable hours which Slichter preferred was those that were necessary "not for the plants but for the men".<sup>78</sup>

The A.F. of L. was similarly disappointed with industry's record in applying work-sharing and became favourable to some legislative solution to make the practice more widespread. In the summer of 1932, the organisation's Executive Council regretted that while some companies had established a five-day week for employees "such action by a few companies has no national effect".<sup>79</sup> The situation had not improved by the early months of the following year. William Green charged that the number of firms which had undertaken to share-the-work had been "so infinitesimal that it has not affected the general situation". Ultimately, if work-sharing was to be successful, mandatory legislation was essential: "It is the old story all over again, that it is only through the application of pressure that men will do the thing that is needed to be done."<sup>80</sup>

A fourth criticism was that work-sharing was based on fallacious premises in economic theory and could be positively damaging if pursued. Donald Richberg characterised it as "the most short-sighted and unjust" of all programmes to relieve unemployment; "unjust" in as far as labour bore the burdens of relieving unemployment, and "short-sighted" because the policy would be damaging to economic recovery. Such a "wholesale deflation of labor" would result in a

78. Summer H. Slichter, 'Should We Deflate Labor?', New Republic 74 (3 May, 1933): 330-331.

79. New York Times, 13 July, 1932.

80. U.S. Congress, House, Committee on Labor. Hearings on H.R.14105, Six-Hour Day, Five-Day Week, 72nd Congress, Second Session, 1933: 8-9. Hearings, Thirty-Hour Week Bill, op.cit., 78.

substantial diminution of purchasing power and have adverse effects on industry. Focus on work-sharing was evidence of "panicky thinking" since it represented "a surrender" and "an acceptance of defeat". The programme resigned the nation to a lower standard of living and possible economic and political change as a result. Richberg warned that such programmes would bring about "national degeneration".<sup>81</sup>

A final criticism of the share-the-work strategy was that it offered no really fundamental solution to the depression and served to distract attention from more worthwhile approaches. As early as April 1931, The New Republic disparaged the efforts of manufacturers who introduced work-sharing: "At best it is an expedient which is only a little better than throwing unemployed workers on the resources of charity. It is not in any sense an approach to real industrial stabilization."<sup>82</sup> Rexford Tugwell discussed the share-the-work approach with Basil O'Connor, presumably with a view to the issue's utility for Franklin D. Roosevelt's presidential campaign.<sup>83</sup> Tugwell regarded work-sharing as merely one of many current panaceas. "Everyone," he wrote, "has some little formula which he thinks will solve the world's difficulties and does not hesitate to press it on anyone who has any public influence." Tugwell himself was not sympathetic to work-sharing. The movement to reduce hours was "essentially a philosophy of despair" and it was necessary, as the Brains Trust understood, to devise "a more fundamental policy which will make such suggestions as this unnecessary". Tugwell did not reject the

81. Memorandum: 'The Spread-Work Folly', 17 August, 1932. Donald R. Richberg MSS: Box 44 File 2. Library of Congress.

82. New Republic 65 (15 April, 1931): 218.

83. Basil O'Connor was a lawyer and speech-writer-cum-adviser to Franklin D. Roosevelt. He is often referred to as a member of Roosevelt's 'Brains Trust' of 1932.

share-the-work approach out of hand, but merely criticised its emphasis to the exclusion of other approaches. Work-sharing could be "a minor point in a larger program", but as a formula for recovery and relief in itself, it was inadequate. "If I were you I should pay no attention to it," he advised O'Connor.<sup>84</sup>

By the end of Herbert Hoover's presidency the voluntary associationism approach to industrial planning had been discredited. The attempt to specify a particular planning goal in The Share-the-Work Movement had failed as a practical venture and could not command a solid consensus behind the work-sharing strategy itself. Furthermore, as expounded by the Teagle organisation, work-sharing lost much of its relevance to industrial planning since it was defended in terms of its utility as a relief expedient. The failure of voluntary associationism was confirmed by the introduction of a bill by Sen. Hugo L. Black on 21 December, 1932, to establish a shorter working week.<sup>85</sup> The bill would have prohibited the shipment of articles in interstate or foreign commerce which had been manufactured in any establishment employing any worker more than five days in any week or more than six hours in any day. In the sense that the Black proposal sought to establish a shorter working week it was the culmination of previous efforts during Hoover's presidency to spread work to ameliorate unemployment. However, like the contemporaneous Share-the-Work Movement it stressed the role of work-sharing as a relief measure in the unemployment crisis and ignored the long-term industrial planning aspects of the shorter working week that had been a feature of P.E.C.E. and P.O.U.R.'s defences of hours limitation. Moreover,

84. Rexford G. Tugwell to Basil O'Connor, 9 July, 1932. Tugwell MSS: Box 2.

85. S.5267. A parallel bill was introduced into the House by William P. Connery (Massachusetts) on 6 January, 1933. H.R.14082.

the Black bill made an even more emphatic break with voluntary associationism than the Teagle Movement by attempting to make hours limitation mandatory.

Black's sponsorship of his 'thirty-hour bill' stemmed from his developed interest in a shorter working week and a sympathy for the plight of labour in the depression. His concern about shorter working hours had been nurtured through his association with the cotton textile operator, Donald Comer of Birmingham, Alabama, who had earlier urged Black to introduce legislation to make a forty-hour week mandatory. It was not until the depression deepened and unemployment increased that Black conceded that "such a bill was immediately advisable".<sup>86</sup> Black was prepared to give voluntary action on shorter hours a fair trial but when, despite the efforts of President Hoover and "the influence of his high office", voluntarism met with "signal failure" he became disenchanted with the approach.<sup>87</sup> "Business leaders have failed," Black claimed. "For four years we have waited for that prosperity which was to come around the corner."<sup>88</sup> The limited application of voluntary hours limitation convinced Black that legislation was essential.

86. Hugo L. Black to J.H. Garrett, 4 May, 1933. Hugo L. Black MSS: Box 161. Library of Congress. Black credited Comer as being a source of inspiration for the 'thirty-hour bill': "As a matter of fact, the discussion between you and me on this problem of long hours, was very influential in causing me to offer this bill." Hugo L. Black to Donald Comer, 21 April, 1933. Ibid. Black maintained his correspondence with Comer up until 1937. See Ibid., Box 158.

87. Congressional Record 77, 73rd Congress, First Session, 1933: 1126-1127.

88. Ibid., 76, 72nd Congress, Second Session, 1933: 4311.

Black's sympathy for the plight of labour was deep. He was optimistic that the victory of Roosevelt in 1932 would reverse the social bias of successive Republican administrations and their disregard for the interests and welfare of the working man. As he wrote to George C. Davis of the Commerce Department:

I, too, am hopeful that we shall be able to secure some real relief for the 'little man'. The recent Republican administrations which have been in control of the country since the World War, have leaned to the privileged and wealthy classes. Under the leadership of our Democratic President, Mr. Roosevelt, I am convinced that attention is going to be given to the needs of the masses of our people rather than the privileged few.<sup>89</sup>

Black welcomed what he sensed to be a new sentiment, inspired by the depression, which demanded equity and just rewards for all involved in industry and which valued human rights above property rights. He was determined to activate this new mood against the "crime" of excessively long working hours for the employed while "desperate" millions remained unemployed. "I am very proud indeed," Black wrote to a constituent, "to be fighting for a measure, which will make life easier for the millions of men, women and children who are compelled to work long hours at drudgery in order to get a bare living."<sup>90</sup>

Black argued the case for his bill on three levels. Perhaps as a gesture to secure business support, Black contended that the shorter working week was the soundest alternative to continuing public relief. "We are now unmistakeably at the crossroads," he noted in a radio address, "where we must choose between the evils of a dole system and some method of supplying work for our people."<sup>91</sup> Second, he

89. Hugo L. Black to George C. Davis, 25 March, 1933. Black MSS: Box 112.

90. Hugo L. Black to J.H. Garrett, op.cit.

91. Radio Address by Hugo L. Black, 9 January, 1933. Reprinted in Congressional Record 76, 72nd Congress, Second Session, 1933: 1444.



claimed that his bill would be instrumental in promoting a degree of economic recovery. While he denied that it was any panacea for unemployment, Black contended that six and a half million people would be re-employed because of it and that the bill would play a "major part" in national readjustment and recovery.<sup>92</sup> Not only would re-employment increase aggregate purchasing power, but such a positive initiative would create a climate of optimism and confidence in industry which was vital for recovery. Furthermore, the benefits of the bill would extend beyond the industrial sector and into agriculture, since industrial revival would enable "people who work in industry to buy the products of the farmer at a fair rate".<sup>93</sup>

However, Black's most emphatic and persistent arguments were either humanitarian or based on political expediency. He stressed the desirability of providing some form of immediate relief for the destitute and helpless unemployed and exploited. Regarding himself as spokesman for "the twelve million who have lost their jobs", the "twenty-five million more who have partially lost their jobs" and "the whole forty-eight million who are walking the streets today not knowing whether they will have a job tomorrow or not", he appealed to the common decency and humanity of congressmen to support his bill.<sup>94</sup> Alongside this emotional appeal Black stressed the advisability of the thirty-hour week in terms of maintaining political stability. He indicated latent and sinister forces which might surface if the government failed to act positively against unemployment. Black wondered whether the "long-suffering" people would tolerate such neglect and indifference

92. Ibid., 4305. Hugo L. Black to B.F. Courtwright, 1 February, 1933. Black MSS: Box 160.

93. Hugo L. Black to J.H. Garrett, op.cit. Congressional Record 76, 72nd Congress, Second Session, 1933: 1443; 4305.

94. Ibid., 77, 73rd Congress, First Session, 1933: 1127.

in their government for much longer without demanding some extreme political change. If the government was seen to be impotent, it provided strong arguments to those who attacked the American political system.<sup>95</sup> Finally, Black urged support for his bill because it represented a positive gesture in over three years barren of accomplishment, and initiative. "There have been few matters proposed in this body, very few," he declared, "which strike at the fundamentals of the widespread distress which exists in America today."<sup>96</sup>

Senate passed the Black bill on 6 April, 1933, after the Roosevelt administration had assumed office. The bill's passage was a reflection of senators' unease at the deepening unemployment crisis and the necessity for some response to ameliorate the problem. The work-sharing strategy employed in the Black bill had been popularised as a component of Hoover's response to the depression which pivoted on voluntary associationism. However, by 1933, work-sharing was advocated in different terms. The mounting rolls of the unemployed made many sceptical of the value of a voluntary approach to unemployment relief and the Black bill sought a legislative solution to secure compliance to hours limitation. Also, advocates of the thirty-hour week defended its implementation in terms of the current emergency, rather than as part of long-term industrial planning strategies. That the Black bill succeeded in passing Senate, despite strenuous objections from many quarters, was testimony to the impatience of senators with voluntary associationism. In the event, the bill's passage acted as a catalyst for consideration by the Roosevelt administration and

95. Ibid.

96. Ibid., 76, 72nd Congress, Second Session, 1933: 2740.

Congress of more comprehensive recovery and relief measures which would revive the prospect of industrial planning, but on a different basis than voluntary associationism.

CHAPTER 8: INDUSTRIAL PLANNING, POLITICS AND CRISIS, 1933: THE MAKING OF THE N.I.R.A.

The November elections of 1932 introduced new possibilities with regard to industrial planning. Hoover's rejection by the electorate removed from office the major obstruction to the translation into public policy of approaches to planning which differed from voluntary associationism. His successor, Franklin D. Roosevelt, was more pragmatic in his attitudes to industrial planning and was not respectful of traditional American credos to the same degree as Hoover. The political complexion of Congress also changed. Tenuous majorities for the Republicans in Senate and for the Democrats in the House were replaced by substantial Democratic majorities in both houses; the largest for either party since 1910. The composition of the 73rd Congress was not its only distinctive feature. Newly elected congressmen were less inhibited than their counterparts of 1932 in considering controversial measures that might have adverse electoral consequences. Moreover, the size of the Democratic majorities and the number of 'freshmen' they included made the 73rd Congress "tractable" in a way that neither of its two predecessors had been. The new Congress was amenable to the vigorous executive leadership which Roosevelt was willing to provide.<sup>1</sup>

The deteriorating economic situation, manifested in the banking collapse of the last months of Hoover's term of office, provided the

1. Hoover's relations with Congress are examined in Jordan A. Schwarz, The Interregnum of Despair: Hoover, Congress and the Depression (Urbana, 1970). For Roosevelt's 'honeymoon' period with Congress, see James T. Patterson, Congressional Conservatism and the New Deal: The Growth of the Conservative Coalition in Congress, 1933-1939 (Lexington, 1967): chap.1, and E. Pendleton Herring, 'First Session of the 73rd Congress', American Political Science Review 27 (February, 1934): 65-83.

context for an atmosphere of crisis during the spring of 1933. George L. Berry, the president of the International Printing Pressmen's Union, conveyed this sense of urgency in March, when he called for forceful leadership from the new administration. "This is the hour for complete coordination," Berry declared. "I believe President Roosevelt represents the last fortification, and with his failure there will come in this country a situation which I shall not attempt to describe."<sup>2</sup>

This sense of crisis pervaded both the White House and Capitol Hill after Roosevelt's inauguration. From the outset, the Roosevelt administration recognised that some measure of industrial recovery needed to be generated urgently. Two of the President's aides, Adolf Berle and James P. Warburg, were particularly concerned on 22 March that the banking situation might precipitate a serious "secondary" crisis in the industrial sector "if we do not get the motor started within the next few weeks". Industrial recovery was the immediate priority. "Everyone seems to agree," Warburg wrote to Raymond Moley on 4 April, "that the most important problem we face today is the problem of restarting industry and stimulating the sources of employment."<sup>3</sup>

This attitude of crisis was duplicated in Congress and was especially evident in Senate's urgency to pass Hugo Black's 'thirty-hour bill', and in the dispatch with which the administration's industrial recovery bill was passed by both houses in June. The exigencies of crisis overrode scruples about changes in the United States' political economy and facilitated the efforts of a reforming president to translate his predilections for a planned economy into public policy.

2. Minutes of the Labor Conference to Consider Unemployment and Unemployment Relief at the Department of Labor, 31 March, 1933. Copy in Beyer MSS: Box 36 File, Unemployment, 1930-1933.
3. James P. Warburg, 'Reminiscences', Columbia University Oral History Project: 201; 378.

There appears to have been a shift of emphasis in Roosevelt's conception of industrial planning between 1930 and 1932. As Governor of New York State, Roosevelt was sympathetic to Hoover's doctrine of voluntary associationism. His appointment of the Commission on the Stabilization of Employment and his endorsement of its conclusions about the role that private initiative could play in alleviating the depression resembled Hoover's own approach to planning. However, as a presidential aspirant during 1932, and advised on economic policy by his Brains Trust, Roosevelt departed from Hooverian planning principles and adopted a more distinctive stance.<sup>4</sup>

By 1932, Roosevelt had become sceptical of the virtues and utility of the competitive ideal and boldly declared for policies which contravened established national credos. Unlike Hoover, Roosevelt sensed that the economy had reached a stage of maturity in which expansion would give way to stabilisation and consolidation. Industrial development had reached a point congruent to the nation's territorial development. Since American technology had the capacity to satisfy more than national needs, industrial progress, like westward expansion, would have to be moderated. "Our industrial plant is built," Roosevelt stated in his Commonwealth Club address, "the problem just now is whether under existing conditions it is not overbuilt."<sup>5</sup> In the future, industrial growth would be more restrained. "It seems to me probable

4. The Brains Trust and its influence on Roosevelt are examined in Elliot A. Rosen, Hoover, Roosevelt, and the Brains Trust: From Depression to New Deal (New York, 1977). Idem, 'Roosevelt and the Brains Trust: An Historiographical Overview', Political Science Quarterly 87 (December, 1972): 531-557. Rexford G. Tugwell, The Brains Trust (New York, 1968).
5. Address, Commonwealth Club, San Francisco, California, 23 September, 1932. P.P.A., op.cit., 1: 750.

that our physical plant will not expand at the same rate at which it has expanded in the past," he reflected at Oglethorpe University.<sup>6</sup>

Such circumstances required a "re-appraisal" of values:

Our task now is not discovery or exploitation of natural resources, or necessarily producing more goods. It is the soberer, less dramatic business of administering resources and plants already in hand, of seeking to reestablish foreign markets for our surplus production, of meeting the problem of underconsumption, of adjusting production to consumption, of distributing wealth and products more equitably, of adapting existing economic organizations to the service of the people.<sup>7</sup>

Changed conditions necessitated the abandonment of anachronistic ideas. Roosevelt recognised that as the day of the great entrepreneur was over, so the doctrines that had been applicable to the rapid industrial development of the late nineteenth century were no longer appropriate in the modern economy of the twentieth century. Roosevelt was less attached to laissez faire ideals than Hoover and when he espoused economic planning, emphasised the desirability of change rather than of continuity in economic policy.

Roosevelt disassociated his planning vision from the panaceas and "illusions of economic magic" spawned by the depression. Many 'planners' deluded themselves that through the temporary application of planning practices during an economic emergency successful recovery could be achieved without recourse to any transformation of the economic system. Roosevelt dissented on two counts. In the first place, successful planning would involve a rigorous appraisal and perhaps, a reorientation of the economic system. As he stated in his 'Forgotten Man' radio address: "A real economic cure must go to the killing of the bacteria in the system rather than to the treatment

6. Address, Oglethorpe University, Atlanta, Georgia, 22 May, 1932. Ibid., 645.

7. Address, Commonwealth Club. Ibid., 751-752.

of external symptoms."<sup>8</sup> Second, economic planning was a long-term proposition; the means of avoiding the extremes of the business cycle. In both his Jefferson Day Dinner and Oglethorpe University addresses of 1932, Roosevelt stressed the need for a long-term commitment to economic planning. "I favor economic planning, not for this period alone but for our needs a long time to come," he said at St. Paul.<sup>9</sup> In his Oglethorpe address, which was composed by the journalist, Ernest K. Lindley, Roosevelt expressed sentiments of which Hoover would have disapproved, particularly when he described the function of planning as the control of income and investment: "Most important to me in the long run is the problem of controlling by adequate planning the creation and distribution of those products which our vast economic machine is capable of wielding."<sup>10</sup> Rexford Tugwell has described the Oglethorpe address as Roosevelt's "high tide of collectivism", while Harlow S. Person, president of the Taylor Society, characterised it as "an expression of economic as well as of political statesmanship".<sup>11</sup>

Roosevelt was careful to endow planning with the legitimacy of American experience and pointedly alluded to the War Industries Board in several addresses.<sup>12</sup> At St. Paul he made planning integral to his

8. Radio Address, Albany, New York, 7 April, 1932. Ibid., 625.

9. Address, Jefferson Day Dinner, St. Paul, Minnesota, 18 April, 1932. Ibid., 632.

10. Address, Oglethorpe University. Ibid., 644.

11. Rexford G. Tugwell, The Democratic Roosevelt (Baltimore, 1969): 219. H.S. Persons to Franklin D. Roosevelt, 24 May, 1932. P.P.F., Box 136 F.D.R.L. It should be noted that Tugwell does not accept that the Commonwealth Club and Oglethorpe speeches were accurate representations of Roosevelt's economic thought. See Rexford G. Tugwell, 'The Commonwealth Club Address in the First Campaign', in In Search of Roosevelt (Cambridge, Mass., 1972): 172-173.

12. See Radio Address, 7 April, 1932 and Address, St. Paul. P.P.A., op.cit., 1: 624; 632.



"concert of interests" theme. He did not envisage an economy "completely planned and regimented", but proposed only essential interferences on the basis of democratic participation, to achieve a genuine "community of interests" between the various geographic sections and economic groups.<sup>13</sup>

While Roosevelt sought to minimise any coercive elements in planning, he was emphatic that a prominent role for government be provided in the planning process. The problems of adjustment involved in the transition from an expanding to a mature economy required that the Federal Government assume responsibility for the national economic welfare. The economic power of industrial and financial groups was of particular concern to Roosevelt since their interests often did not coincide with the general welfare. Citing Berle and Means' discoveries of the extent of industrial concentration, Roosevelt warned in his Commonwealth Club address - which Berle himself largely wrote - that the United States was "steering a course toward economic oligarchy, if we are not there already".<sup>14</sup> A re-definition of the relationship between business and government was imperative. Business leaders had to assume the responsibilities which accompanied their power and "it must be the policy of the Government to see that they do it".<sup>15</sup>

Roosevelt's strictures about industrial concentration and business malpractices made him no foe of large enterprise. It was pointless to "abandon the principle of strong economic units ... merely because their power is susceptible of abuse". Society must "modify"

13. Address, St. Paul, Ibid.

14. Address, Commonwealth Club. Ibid., 751.

15. Radio Address to the Business and Professional Men's League, 6 October, 1932. Ibid., 785.

and "control" these units to serve the general welfare. This would be accomplished through a partnership between "statesmen and businessmen" which would seek to create a new "economic constitutional order". Roosevelt's model businessman was of the progressive, planning type which had become prominent during the depression. Unlike Hoover, Roosevelt was impressed with the sincerity of industrial leaders who sought legislative change to facilitate trade association activity, and saw potential in their programmes. At San Francisco he complimented those industrialists who had recognised the mutuality of interests between capital, labour and consumers and expressed sympathy for their ambitions to achieve industrial stabilisation through cooperation and coordination. Those industries which had endeavoured to "limit the freedom of each man and business group within the industry in the common interest of all" were "enlightened" in Roosevelt's opinion. Moreover, he appeared prepared to grant them the ability to organise: "The responsible heads of finance and industry, instead of acting for himself, must work together to achieve the common end ... I am very clear that they must fearlessly and competently assume the responsibility that goes with power."

Roosevelt was less confident that these responsible elements could organise their industries effectively while the forces of "private advantage" - "the lone wolf, the unethical competitor, the reckless promoter" - continued to undermine their efforts. Only governmental authority could restrain the activities of such unenlightened interests "whose hand is against every man's" and who threatened "to drag industry back to a state of anarchy". However, while government would facilitate associational activity it would practice surveillance of these industrial collectivities to ensure that

collective power was not used contrary to the public interest. Such a "social contract" between business and government was appropriate for the changed economic circumstances and consistent with American ideals. Yet the approach was innovatory as Roosevelt recognised at San Francisco: "As yet there has been no final failure, because there has been no attempt."<sup>16</sup>

Roosevelt's developing ideas about the nature of industrial planning were most approximate in form to those of the progressive business planners such as Gerard Swope who were prepared to concede a role for government in the planning process, if not to the degree that Roosevelt intimated in his speeches of 1932. Before his election in November, Roosevelt had endorsed trade associationism in general terms and had inferred his dissatisfaction with the operation of the antitrust statutes. The contrast with Hoover was marked.

Integral to Roosevelt's developing ideas was the concept of crisis and his appreciation that circumstances required changes in the political economy. The same sense of crisis was apparent in the 73rd Congress, which allowed congressmen to support the kind of legislation which predecessors had shunned. This sensitivity to crisis was evident in Senate's consideration of the Black 'thirty-hour week' bill which had been introduced in the 72nd Congress and was re-introduced in its successor. The Black bill is significant to the history of industrial planning during the early years of the depression for several reasons. In the first place, the bill represented the failure of Herbert Hoover's doctrine of voluntary associationism. Although Black's measure may be interpreted as an extension of Hoover's 'Share-the-Work' drive of 1932, by stipulating a mandatory, federally-enforced thirty-hour week, it significantly changed the assumptions

16. Address, Commonwealth Club. Ibid., 752-755.

behind work-sharing. The bill represented Black's conviction that voluntarism was an unsound basis for the implementation of counter-depression policies and that some degree of compulsion was necessary to secure compliance to desirable programmes. Second, the dominant consideration for legislators who considered the bill was the context of crisis. Although profound reservations were expressed within Congress and elsewhere about the measure's feasibility and desirability, emergency considerations overrode doubts about its practicability and consequences. The bill was defended as a relief measure and the implications of work-sharing for long-term planning were largely ignored. This sensitivity to crisis and determination to take positive action was a feature of Congress throughout the 'Hundred Days' and made it more receptive to proposals whose consequences were not predictable. Finally, Senate's passage of the Black bill on 6 April provided the catalyst for the Roosevelt administration to promote the formulation of a more comprehensive recovery bill which would contain prominent industrial planning features. Out of the flotsam of voluntary associationism, as represented in the Black bill, trade associationism was to emerge in a legislative form, embedded in the N.I.R.A. of June.

The Black bill passed Senate despite widespread criticism of its provisions. Numerous objections were voiced within Senate itself. The doubtful constitutionality of the bill was of most concern to William E. Borah (Idaho) who insisted that the Federal Government did not have the powers to make such stringent regulations for interstate commerce. Borah feared that the Supreme Court might adopt a generous construction however, since the measure was of an 'emergency character' and due to expire after two years. This would set a dangerous precedent, for if the Court was able to "suspend the Constitution"

with its own definition of emergency it could well make encroachments upon legislative powers.<sup>17</sup> While Borah favoured a thirty-hour week, he considered the constitutional implications of the bill as framed to be so grave that he felt obliged to withhold his support.<sup>18</sup> Other senators objected to the bill's rigid provisions on hours limitation. Members representing agricultural and fishery regions, or states in which food-processing was a major industry, objected to the bill's lack of flexibility. It was argued that seasonal industries, or those in which flexibility of labour hours was essential, would be severely handicapped by the bill.<sup>19</sup> A further reservation was that reduced hours would not serve workers' best interests. "What I think will happen," Thomas P. Gore (Oklahoma) remarked, "is that hours will decrease, wages will decrease, work will speed-up, and labor will be driven to perform as much work in six hours as in eight. The wage earners, threatened, frightened by the breadline, will attempt the task."<sup>20</sup> Neither would the bill serve to advance economic recovery. According to David A. Reed (Pennsylvania) and Marvel M. Logan (Kentucky), the shorter working week would not increase purchasing power but merely spread it more evenly as employers reduced wages proportionately. Even if wages were not reduced, the increased costs

17. Congressional Record 77, 73rd Congress, First Session, 1933: 1117-1118.
18. William E. Borah to George W. Hunt, 2 May, 1933. William E. Borah to E.R. Guye, 6 May, 1933. William E. Borah MSS: Box 349. Library of Congress.
19. The principal critics of the bill on these grounds were Arthur H. Vandenberg (Michigan), Clarence C. Dill (Washington), Phillips Lee Goldsborough (Maryland) and James H. Lewis (Illinois).
20. Congressional Record 77, 73rd Congress, First Session, 1933: 1296. Black rejected the inclusion of a minimum wage provision in his bill. Doubtful of the constitutionality of minimum wage legislation, he preferred to omit it rather than jeopardise the whole measure. Black hoped that the efforts of organised labour and the pressure of public opinion would prevent drastic reductions in wages after the implementation of the thirty-hour week. Ibid., 1113. Hugo L. Black to Carolyn Heine, 15 February, 1933. Black MSS: Box 159.

for the manufacturer would be passed on to the consumer, and would disadvantage the agricultural population not covered by the bill whose purchasing power would be eroded further.<sup>21</sup> Finally, many senators were concerned about the threat posed by foreign competition if the Black bill served to increase producers' costs. Henry D. Hatfield (West Virginia) estimated that foreign firms would be able to sell their goods at between 30 and 60% of American costs of production, and sponsored an amendment to the Black bill which would have prohibited the importation of goods produced by labour working longer than thirty hours a week. The amendment was narrowly defeated by two votes, fifteen senators abstaining.<sup>22</sup>

Despite these serious reservations, a majority of senators resisted attempts to modify the Black bill to allow for greater flexibility of working hours or to regulate foreign imports. Senators were hostile to an administration attempt on 5 April to amend the bill to provide for a thirty-six hour week. Members were concerned to avoid more time-consuming debate in exploring the implications of the amendment and many argued for the thirty-hour week on the basis of expediency. "If nothing is done," George Norris declared, "we are headed for chaos and it is not far in the distance." Norris contended that there were definite limits to providing relief to so many unemployed and since the only alternative was to provide work for the jobless, the proposal which promised to create more jobs deserved more sympathetic consideration. Hiram Johnson (California), Arthur R. Robinson (Indiana) and Bennett C. Clark (Missouri) expressed similar sentiments. But it was David Walsh who reflected most accurately the feelings of his

21. Congressional Record 77, 73rd Congress, First Session, 1933: 1191; 1296.

22. Ibid., 1340-1341; 1461.

fellow senators. While he supported the measure, he did have reservations about it and was comforted that it was an emergency bill, limited to two years. "It is somewhat experimental, but everything we are doing today is more or less experimental," he suggested. "It may not be workable ... It may be necessary to make changes in the proposal if in practice it does not meet the desideratum sought." However, in terms of providing jobs for the unemployed, he concluded: "Here at last is an honest attempt ... by this Congress."<sup>23</sup> In the event, the amendment sponsored by the Majority Leader, Joseph T. Robinson (Arkansas) was defeated by a vote of 48 to 41. The Black bill passed on 6 April by a vote of 53 - 30.

In passing the Black bill it would seem that Senate was motivated by a number of considerations for which some immediate action was imperative: a humanitarian regard for the interests of labour; a wish to promote economic recovery; fear that failure to act would result in social disintegration, and an awareness of the need to maintain the prestige of Congress. As such the bill, a product of emergency conditions, was considered in like terms and its enactment became a matter of utmost urgency despite reservations within Senate itself. The mood of the 73rd Congress was distinctly more activist than its predecessor.

Organised labour provided the most positive support for the measure outside Senate. In testimony before congressional committees, labour representatives were adamant that emergency conditions demanded positive responses by government unless disaffection was to increase within the working class. John Frey castigated the Hoover administration's lack of imagination in dealing with the unemployment problem

23. Ibid., 1292-1294; 1331; 1343.

and warned: "We can not continue this way, with millions of unemployed .... What they will do, I do not know."<sup>24</sup> William Green referred ominously to "a standing army of unemployed" which constituted "a menace to domestic tranquillity", while Philip Murray, vice-president of the U.M.W. contended: "The shortened work week is essential .... To avoid this step is to invite disaster."<sup>25</sup>

The Black bill was a positive response to the unemployment problem which had William Green's "personal and official approval".<sup>26</sup> Green congratulated Black on rendering a "great social and economic service" in sponsoring a bill which promised to ameliorate unemployment, generate economic recovery, and which had long-term implications as a response to technological unemployment.<sup>27</sup> So strongly did labour support the bill that the A.F. of L. was prepared to use its "economic force" to compel employers to observe the thirty-hour week if no legislation was forthcoming. The Federation would sponsor a general strike among its members if the Black bill was not enacted.<sup>28</sup> "We have been so 'good' that we have almost become no good," wrote John Frey, "and unless we begin to insist upon being heard in the nation's councils, and particularly in the industrial world, we might as well fold up our tent and continue to receive with thanks what industry may be willing to give us."<sup>29</sup>

24. Hearings, Six-Hour Day, Five-Day Week, op.cit., 162.

25. Ibid., 3; 183.

26. Ibid., 1.

27. William Green to Hugo L. Black, 4 April, 1933. Black MSS: Box 159.

28. U.S. Congress, Senate, Subcommittee of the Committee on the Judiciary. Hearings on S. 5267, Thirty-Hour Work Week, 72nd Congress, Second Session, 1933: 2.

29. John P. Frey to Lt. Col. C.B. Ross, 12 December, 1932. Frey MSS: Box 13 File 191.



Liberal intellectuals were more critical of the bill. Stuart Chase, however, was an exception. Chase was invited to testify before a congressional committee investigating the bill but was unable to attend. Had he done so, he informed Edward F. McGrady of the A.F. of L., he would have endorsed shorter working hours as the "only permanent solution" for technological unemployment.<sup>30</sup> However, neither The Nation nor The New Republic found themselves able to approve the measure wholeheartedly. The Nation forecast that the bill would result in "the gravest consequences for labor" and that it would succeed only in stimulating re-employment at the expense of workers currently employed. The measure's effectiveness would be limited also, because so many firms were working reduced schedules already that the amount of slack for creating more jobs was restricted. Furthermore, wages would be reduced proportionately to hours and no overall increase in workers' incomes was likely.<sup>31</sup> The New Republic echoed these sentiments, concluding that "the thirty-hour week bill is an empty and possibly dangerous gesture".<sup>32</sup>

The response of both the Roosevelt administration and the business community to the Black bill was generally unfavourable. In effect, Senate's consideration and passage of the thirty-hour measure prompted both to press for the formulation of a more comprehensive and satisfactory recovery programme. Given their signal influence in the development of an industrial recovery strategy during the spring and early summer of 1933, which included prominent industrial planning

30. Stuart Chase to Edward G. McGrady, 11 January, 1933. Black MSS: Box 159.

31. Nation 136 (19 April, 1933): 432.

32. New Republic 74 (3 May, 1933): 324.

features, the Black bill's influence in these two quarters warrants extended discussion.

On 6 April, when Senate passed the Black bill, the Roosevelt administration did not possess an industrial recovery strategy despite consideration of the issues involved since the November elections of the preceding year. During the presidential 'interregnum' Roosevelt used his Brains Trust to establish contact with individuals who had given thought to the problems of industrial recovery. In December, Rexford Tugwell wrote that he was anxious "to keep in touch just now with some leading businessmen who are interested in measures for stabilization" and consulted with James Rand and Henry Harriman.<sup>33</sup> Antitrust law reform was the subject of conversations between Tugwell and Harriman, the two men agreeing that the "old anti-trust law repressions" should be superceded by "control of present trends and scale".<sup>34</sup> After Roosevelt's inauguration, Adolf Berle's canvasses of businessmen revealed that the subject of revision was becoming "red hot" and Berle sought conferences between the President and leading advocates such as Walker D. Hines, J. Harvey Williams and Gilbert Montague.<sup>35</sup> The Roosevelt administration also showed interest in a number of specific plans designed to stimulate industrial activity. Shortly after Roosevelt's inauguration, Raymond Moley and James Warburg were assigned to investigate the numerous economic plans

33. Rexford G. Tugwell to James H. Rand, Jr., 17 December, 1932. Tugwell MSS: Box 2.

34. Rexford G. Tugwell, 'Monetary Preliminaries and Diary, 20 December, 1932 - 27 February, 1933', 69 - 70; 111. Ibid., Box 19. Henry I. Harriman to Franklin D. Roosevelt, 14 January, 1933. P.P.F. 3572. F.D.R.L.

35. Memorandum for the President, 22 March, 1933. O.F. 277. Adolf Berle to Colonel McIntyre, 30 March, 1933. O.F. 105. F.D.R.L. Adolf Berle to John Dickinson, 1 May, 1933. R.G. 40, File 94694.

in existence and being urged on the President. Most of those scrutinised, such as the plans of the banker, Fred I. Kent, manufacturer, John R. Oishei and Edgar Kaufmann of the Kauffmann Department Store, involved government loans to industry or government guarantees against losses in the private sector. On 4 April, Warburg submitted a memorandum to Moley summarising the re-employment plans he had discovered and recommending that the President summon a conference of interested parties to draft a "practical plan" to be submitted to Congress.<sup>36</sup> However, Moley was not impressed by the memorandum and was convinced that "thinking in business and government circles on the subject had not yet crystallized sufficiently to justify any further moves at the time". According to Moley, during his meeting with the President after receiving Warburg's memorandum, Roosevelt "agreed that nothing should be done as yet regarding national economic planning for industry".<sup>37</sup> Despite the administration's concern to be acquainted with current thinking on the means of achieving economic recovery, it was committed to no particular strategy before 6 April.

Senate's passage of the Black bill introduced a note of urgency into the administration's consideration of industrial recovery. On 10 March, Black wrote to Roosevelt requesting that he announce his support for the thirty-hour week and include it as an integral part of his legislative programme.<sup>38</sup> However, Roosevelt was not in sympathy with Black's proposal. While the President admired Black's praiseworthy objectives, his "one paragraph bill" attempted to accomplish

36. Warburg, *Reminiscences*, op.cit., 184; 209; 242-243; 252; 371-373; 376-378.

37. Raymond Moley, The First New Deal (New York, 1966): 287.

38. Hugo L. Black to Franklin D. Roosevelt, 10 March, 1933. O.F. 372. F.D.R.L.

them by "fiat" and laid down "hard and definite terms ... without knowing the effect of it or without considering the effect of it".<sup>39</sup> Roosevelt contended that the stipulated length of the working week was too "inelastic", and according to Secretary Perkins, the President preferred a forty-hour maximum.<sup>40</sup> He was concerned also about the attempts of congressmen to insert into the bill a prohibition on imports of goods produced by long-hour foreign labour. This would constitute a "straight out and out embargo on all imports" which denied him the "wide latitude" to conduct bilateral trade agreements.<sup>41</sup> Finally, Roosevelt objected to the bill's lack of provision for a minimum wage. Although the great majority of employers would pay a fair wage without compulsion, Roosevelt believed that the rest would "sweat" their labour and undercut the prices of competitors who were paying fair wages. It would "spoil the entire idea" and defeat the bill's purpose of increasing workers' purchasing power.<sup>42</sup> Roosevelt's last objection was consistent with his championing of State-regulated minimum wages during his gubernatorial period and in his first months as President.<sup>43</sup>

39. Franklin D. Roosevelt, Press Conferences of the President, Microfilms, 12 reels (Hyde Park, N.Y., 1956): reel 2, 5 July, 1933, 7.

40. Ibid., reel 1, 12 April, 1933: 132. Hearings, Thirty-Hour Week Bill, op.cit., 4-5.

41. Press conferences, op.cit., reel 1, 12 April, 5 May, 1933: 132-133; 225.

42. Ibid., 14 April, 1933: 144.

43. During April 1933, Roosevelt was active in persuading State Governors to follow New York State's example by enacting 'fair wage' laws. See Franklin D. Roosevelt to Herbert Lehman, 11 April, 1933. 'Telegram to 13 Governors of States of industrial importance', 12 April, 1933. P.P.F. 512, Franklin D. Roosevelt to Henry H. Blood, 13 April, 1933. Ibid., 792. F.D.R.L.

Roosevelt detected flaws in the bill apart from its intrinsic shortcomings. He was aware of the overall lack of consensus in favour of the measure, despite the support of Senate. The White House received letters from businessmen which prophesied "a calamity" and "an industrial setback" if the bill was enacted,<sup>44</sup> and was advised that the bill would not find favour with agriculture. The Secretary of Agriculture, Henry A. Wallace, warned that the food processing industry would be unable to provide a satisfactory service to farmers if the bill was passed, while Rep. Albert C. Willford (Iowa), referring to agriculture's exemption from the terms of the bill, reported that "our farmers are bitterly opposed to letting the town man work six hours and they have to work sixteen".<sup>45</sup> Roosevelt's unwillingness to lend administration support on behalf of the Black bill may have been conditioned, in part, by the political dangers that such support might entail. Nevertheless, Senate passed the bill on 6 April, and the threat of its passage by the House galvanised the administration to consider alternative measures.

The Roosevelt administration had been alert to the dangers posed by the Black bill since the end of March. On 29 March, Perkins suggested to Black that he amend his bill to give the President the discretionary power to declare a flexible working week of between thirty and forty hours for specified industries.<sup>46</sup> Black's refusal led to the administration's unsuccessful attempt to force the thirty-six hour week amendment on 5 April. Unable to persuade Congress to

44. For a sample of the business correspondence on the Black bill which reached Roosevelt, see H.M. Lofton to Louis M. Howe, 6 April, 1933. Gene Ackerman to Marvin McIntyre, 8 April, 1933. A.E. Macdonald to Homer S. Cummings, 11 April, 1933. D.H. Warner to Homer S. Cummings, 11 April, 1933; Frank L. Grant to Homer S. Cummings, 11 April, 1933. O.F. 372. F.D.R.L.

45. Henry A. Wallace to Marvin E. McIntyre, 11 April, 1933. A.C. Willford to Franklin D. Roosevelt, 8 April, 1933. Ibid.

46. 'Memorandum to Hugo L. Black from Frances Perkins', 29 March, 1933. Black MSS: Box 159.

modify the measure, the aim of the administration became to formulate a recovery programme which did not rely on one strategy, as the Black bill did in its focus upon hours limitation, and which did not contain the same shortcomings. Both Frances Perkins and the New York banker, Meyer Jacobstein, were working on alternative means of promoting economic recovery and advised the House Labor Committee that more comprehensive measures than the thirty-hour week were necessary to stimulate economic activity. Perkins was doubtful about the value of exclusive focus on hours limitation. "I do not rely upon any one panacea as an approach to the purpose of a business revival," she testified. "It is being attacked in many ways and this is one of the ways, as it seems to me, that is both reasonable and helpful." Jacobstein suggested that the bill was too limited. "It is a good start," he advised, "but in this great national emergency we should go forward on a larger scale." Jacobstein urged that the President be given broad powers to regulate not only hours, but wages and prices also, through a national board. Only by extending the scope of the recovery programme was it likely to become a viable and practicable proposition.<sup>47</sup>

A major criticism levelled at the Black bill by both Roosevelt and Perkins was its lack of provision for a minimum wage. To remedy this flaw, the Secretary of Labor devised a 'substitute' bill which was the subject of hearings before the House Labor Committee beginning on 25 April. The Perkins 'substitute' proposed that minimum wages should be stipulated by a tripartite board of employers, employees and consumers where wages were found to be below acceptable levels.

47. Hearings, Thirty-Hour Week Bill, op.cit., 23; 26-28.

The board would also decree maximum working hours in industry which would vary between thirty and forty hours according to the particular industry's circumstances. Finally, the board would be empowered to limit the total operating hours of any plant overproducing through unfair competitive advantages such as the lax labour laws in the southern states which permitted the cotton textile industry to operate night shifts for women. Perkins believed that provision for flexible hours limitation, a minimum wage and a modicum of production control would provide industry with the opportunity and technique to become "practically self regulating in the public interest".<sup>48</sup>

The Perkins 'substitute' drew criticism from within the administration. John Dickinson, the Assistant Secretary of Commerce, feared that it would be "economically and politically very unfortunate" if the proposal was enacted. Dickinson claimed that it would have no beneficial effect on purchasing power but would actually decrease production in many industries, and through undue interference with interstate commerce would drive industry back into the states. Perkins' proposal was "far too rigid and extreme" and lacked "any considerable degree of flexibility" to be considered helpful in promoting economic recovery. The political implications were equally grave. Political dissatisfaction would result from a programme which was "hasty and ill-prepared", indulged in "over-regulation", entailed the creation of a large bureaucracy, and favoured particular industries at the expense of others.<sup>49</sup> Dickinson advised his superior, Daniel Roper, that the administration should "gradually

48. Ibid., 1-10. Frances Perkins to the Editor, Washington Post, 29 April, 1933. O.F. 15. F.D.R.L.

49. John Dickinson to Raymond Moley, 26 April, 1933. R.G. 40 File 93124.

and unobtrusively" withdraw its support from the measure and "shift its support to some other type of measure making in the same general direction".<sup>50</sup>

In effect, Dickinson anticipated Roosevelt's course of action. Even before the hearings on the Perkins 'substitute' were completed, the administration had effectively lost interest in sponsoring an amended version of the Black bill. On 1 May, Sen. Joseph Robinson announced that the bill was no longer "in the picture".<sup>51</sup> Given the opposition which the Perkins 'substitute' aroused both within the administration and elsewhere, Roosevelt decided to jettison any idea of sponsoring an amended thirty-hour week bill.

Aside from some sympathetic comment by individuals such as Edward A. Filene, Gerard Swope and Walter Teagle, the business community was generally hostile to the Black bill and Perkins' amendments. The conservative press assailed Black's original measure. The New York Times described it as "grotesque" and likely to result in "chaotic conditions" in industry, while The Commercial and Financial Chronicle charged that some of the bill's assumptions lay "outside the domain of reason".<sup>52</sup> Forbes detected "dynamite" and "industrial havoc" in the Black bill which threatened to compromise the genuine progress accomplished by the hours-reduction movement.<sup>53</sup> Collier's described the bill as "a clumsy experiment" which would exacerbate and not diminish unemployment.<sup>54</sup>

50. John Dickinson to Secretary Roper, 21 April, 1933. Ibid.

51. New York Times, 2 May, 1933.

52. Ibid., 30 November, 1932. Commercial and Financial Chronicle 135 (3 December, 1932): 3731-3733; Ibid., 136 (15 April, 1933): 2487-2488.

53. Forbes 31 (1 May, 1933): 4.

54. Collier's 91 (3 June, 1933): 50.



Iron Age reported that opposition to the Black bill was "unanimous" among steel executives. Indeed, the affirmative Senate vote caught the journal by surprise since previously it had been confident that the issue would not be seriously considered. As it was, the bill would work "particular, if not impossible, hardships upon steel works".<sup>55</sup> Steel advised that "steelmakers view the Black bill ... as the most radical and revolutionary measure ever proposed affecting their industry".<sup>56</sup> The major grievances of the steel industry were that the bill would deprive it of skilled workmen vital to its continuous process requirements; labour costs would increase and make steel uncompetitive with other products not covered by the bill; the effects of the law would be inequitable in operation, being especially injurious to smaller plants, and the bill would grant undue power to government over business through a generous construction of its powers over interstate commerce. Furthermore, the industry regarded Black's measure as a slight at the efforts it had made to maintain employment and wages. The industry was not opposed to work-sharing, Steel claimed, but: "It would seem possible to put teeth into an intelligent spread-work plan ... without involving such drastic regulatory powers as are contemplated."<sup>57</sup>

The textile and coal industries shared steelmakers' misgivings. Textile World dismissed the Black bill as being of no practical benefit

55. Iron Age 131 (13, 20 April, 1933): 596; 613.

56. Steel 92 (10 April, 1933): 16.

57. Steelmakers were particularly concerned about their competitiveness in the construction sector. Competitive products such as lumber, concrete and masonry were often fabricated on the site and, unlike steel, were not involved in interstate commerce. The 'thirty-hour law' would not apply to these competitors which would enable them to avoid cost increases. Iron Age 131 (13, 20, 27 April, 1933): 596; 613-614; 638-639; 674. Steel 92 (17 April, 1933): 18.

to industry, and a law which would require a vast federal inspectorate to administer.<sup>58</sup> Individual operators throughout the country considered the bill's defeat to be so essential that, according to Black, they coerced employees to write to congressmen urging them to vote against the bill.<sup>59</sup> On behalf of the coal industry, Coal Age castigated the measure as "loosely, even ineptly drawn" and the product of "leisurely academic discussion ... pitched incontinently into the political arena".<sup>60</sup>

Both the Chamber of Commerce and the N.A.M. opposed passage of the bill. While recognising "the fine public spirit" behind the proposal, the Chamber's president, Henry Harriman, deplored its "rigidity" and considered that the statutory method of limiting hours was inappropriate.<sup>61</sup> The N.A.M.'s counsel, James Emery, suggested that the bill would result in the "disorganization" of industry, increase production costs, lead to a lowering of wages to subsistence level and necessitate expensive and irritating government enforcement measures. Furthermore, he was dubious of the constitutionality of the proposal and viewed with disquiet the nature of the political authority proposed. The N.A.M. was opposed to a measure which threatened to cause confusion throughout the business structure at a time when it was most sensitive.<sup>62</sup>

58. Textile World 83 (February, 1933): 38.

59. Hugo L. Black to Donald Comer, 21 April, 1933. Black MSS: Box 161. For the views of a leading southern textile manufacturer on how Black's bill would disadvantage southern mills, see Donald Comer to Hugo L. Black, 15 April, 1933. Ibid.

60. Coal Age 38 (May, 1933): 141.

61. Hearings, Thirty-Hour Week Bill, op.cit., 195-198. Henry I. Harriman, 'This Changing Business World': An Address of 3 May, 1933 (Washington, D.C., May, 1933): 13.

62. Hearings, Thirty-Hour Work Week, op.cit., 1. Hearings, Six Hour Day, Five Day Week, op.cit., 127-151. Hearings, Thirty Hour Week Bill, op.cit., 713-735.

The Perkins 'substitute' compounded businessmen's alarm. Iron Age denounced the "sweeping dictatorship" involved in the Secretary's proposals, while Steel anticipated "vigorous" protests from steelmakers who would object to such a "dictatorship" of industry presided over by "a woman".<sup>63</sup> Barron's believed that Perkins had metamorphised the Black bill to provide for "thinly disguised governmental control".<sup>64</sup> Coal Age also perceived the threat of social control of industry through governmental supervision. However, it was optimistic that industry would respond to the challenge by taking action on its own initiative:

Raging against this philosophy as socialistic or communistic will get industry nowhere, except, possibly, into a federal straightjacket. If business is to preserve self-regulation of industry, it must present something more constructive for consideration than a parrot-like policy of negation - and do it quickly.<sup>65</sup>

The business community responded to the challenge of the Black bill by using the debate it inspired to further their own cause of trade associationism and antitrust law reform. Iron Age agreed that industry needed regulation of the type that Perkins proposed but insisted that it stem from within industry itself. The most constructive service which government could provide for business was to liberalise the antitrust laws to allow trade bodies the necessary "teeth" to "purge their industries of the few unprincipled pirates who cause most of their troubles".<sup>66</sup> Textile World also sympathised with Perkins' aims which corresponded to those of enlightened textile

63. Iron Age 131 (27 April, 1933): 677. Steel 92 (24 April, 1933): 12; Ibid., 92 (1 May, 1933): 20.

64. Barron's 13 (24 April, 1933): 12.

65. Coal Age 38 (May, 1933): 141-142.

66. Iron Age 131 (4 May, 1933): 717.

spokesmen. However, it emphasised that "the job must be done by industry" with the proper legislative basis to facilitate associational activity.<sup>67</sup>

Business organisations also utilised the opportunity provided by discussion of the Black bill to promote the trade association idea. Henry Harriman wrote to John Dickinson that "the Black bill offers opportunities for very fundamental legislation going far beyond its scope and without its rigidity".<sup>68</sup> The legislation that he had in mind, as he informed Hugo Black, was along the lines of the report of the Chamber's committee of 1931.<sup>69</sup> Rather than concentrate on hours limitation, a proposal was needed which would meet the requirements of the current economic situation comprehensively and provide for minimum wages and the balancing of production with demand. "The parties who are best equipped to solve the problems of industry are the trade associations of each industry," Harriman advised the House Labor Committee.<sup>70</sup>

The N.A.M. also seized the opportunity to transform the recovery debate into a more fluid one by advancing the trade association idea. James Emery wrote to Daniel Roper that the time had come to recognise "the tendency" for manufacturers and employers to make agreements within industry with respect to hours, wages and working conditions in order to eliminate unfair competition. Modification of the anti-trust laws would constitute an official and helpful recognition of

67. Textile World 83 (May, 1933): 47-48.

68. H.I. Harriman to John Dickinson, 12 April, 1933. R.G. 40 File 93124.

69. H.I. Harriman to Hugo L. Black, 4 April, 1933. Black MSS: Box 159.

70. Hearings, Thirty-Hour Week Bill, op.cit., 199.

this trend.<sup>71</sup> J.H. Williams suggested that a provision be incorporated into the Black bill which established a Board "for the improvement of competitive conditions in industry", consisting of the Secretaries of Agriculture, Commerce and Labor. The Board would be empowered to approve agreements in industry which were construed as "fair and open endeavours to aid such industry" but which would be otherwise contrary to the antitrust laws. This would add a new dimension to the Black bill and extend its benefits which were presently limited to labour.<sup>72</sup> Before the House Labor Committee Emery seized the moment to plead for legislation to advance the trade association idea: "Give us the chance to govern ourselves. The experiment is worth trying, and if the experiment is not successful, put us in the shackles you think we ought to wear."<sup>73</sup>

The aims of business spokesmen to broaden the Black bill into a more comprehensive measure found favour amongst labour spokesmen and liberals. William Green, while favouring the thirty-hour week, emphasised that it should be one part of a wider programme and linked to government loans to industry or to controlled production. However, Green demanded reciprocal concessions for labour in return for any advantages that industry received, and the Federation president went on record as favouring a government guarantee of workers' right to belong to unions and to bargain collectively through them.<sup>74</sup> The New Republic welcomed the trend suggested by the Perkins 'substitute',

71. James A. Emery to Daniel C. Roper, 10 April, 1933. R.G. 40 File 94649.

72. J.H. Williams to John Dickinson, 20 April, 1933. Ibid., File 93124.

73. Hearings, Thirty-Hour Week Bill, op.cit., 723.

74. Ibid., 63; 66.

of broadening the scope of the Black bill. Perkins' modifications transformed an "empty" and "possibly dangerous" bill into a "major measure of industrial improvement, and one capable of being administered".<sup>75</sup>

However, the reaction to the Perkins 'substitute' was generally unfavourable and Roosevelt was prompted to focus his search for an industrial recovery strategy on the plans which Warburg and Moley had continued to investigate during April. Professor Himmelberg has made a meticulous survey of the evolution of the industrial recovery draft between late April, when Roosevelt decided to abandon the Perkins proposal, and 17 May, when the administration's recovery bill was sent to Congress, and only cursory treatment is required here.

During April a consensus emerged on the advisability of some form of subsidisation for American industry. A planning group formed around Robert Wagner, which consisted of Meyer Jacobstein, the economist, Harold Moulton, Fred I. Kent, and Malcolm C. Rorty of the American Management Association. All favoured "starting up" the economy by direct government aid to industry whether in the form of loans, loss guarantees or bounties. Although the "start up" concept provided the initial framework for the recovery legislation it was discarded early in May as the draft developed and other influences emerged in the drafting process. The case for public works expenditure had been firmly established by progressives in Congress since the onset of the depression and was represented in the drafting process by Wagner. The establishment of minimum wages and maximum hours gained legitimacy through the publicity generated by the Black bill and its amendments,

75. New Republic 74 (3 May, 1933): 324.

and both were favoured by the President and his Secretary of Labor. These influences did not necessarily preclude the incorporation of a "start up" aspect in the recovery programme, however, during early May the subsidisation of industry was displaced by the associational approach as the main thrust of the recovery programme. The transformation is associated with John Dickinson's introduction into the Wagner group, with his sympathy for antitrust revision and his influence in permitting "direct participation and remarkable degree of influence" to business groups - especially the N.A.M. - in subsequent discussions. By 4 May, the "start up" concept had been superceded by antitrust revision and associational action as the central pillar of the recovery measure. To provide the 'teeth' to enforce associational activity, provision for the President to license business enterprises if the need arose had been added to the draft by 13 May under instigation of Gen. Hugh Johnson. Of the major provisions contained in the ultimate recovery act, only labour's right to bargain collectively had not assumed a precise shape approaching its eventual form by 17 May, when the recovery bill was sent to Congress.<sup>76</sup>

Himmelberg has minimised the role of Roosevelt in the development of the associational aspects of the N.I.R.A. and argues that they were not "willed" by the administration but "thrust upon it by circumstances".<sup>77</sup> Such emphasis suggests that rather than utilise the crisis, the President was its passive captive, and was influenced by events, such as Senate's passage of the Black bill and the volatile drafting process of the recovery bill, over which he had little control.

76. Himmelberg, *Origins of the National Recovery Administration*, op.cit., 181-207.

77. Ibid., 181.

There is a danger here of depreciating Roosevelt's role in 1933 by ignoring the context of industrial planning during the early depression, and particularly the contrast between Hoover and Roosevelt. A change in the presidency was a pre-condition for the achievement of antitrust reform, and Roosevelt, as he intimated in his campaign speeches, was more responsive than his predecessor to changes in the political economy. While Roosevelt may not have played an initiatory role in formulating the recovery legislation of 1933, and doubts may remain about his commitment to associational activity through antitrust liberalisation, his willingness to speak on behalf of the approach illustrates his adaptability to changing circumstances which is in stark contrast to Hoover's inflexibility. Before the annual meeting of the Chamber of Commerce on 4 May, the President indicated with approval the directions in which administration policy was evolving. Roosevelt made three requests of the Chamber's members. The broadest was that businessmen should view recovery in national rather than parochial terms and "lay aside special and selfish interests to think of an act for a well-rounded national recovery". More specifically, the President suggested that industry should refrain from making further reductions in wages and maintain wage rates in conformity with price increases. Most significant in terms of current policy developments, was Roosevelt's request for cooperation within industry and between industry and government, to solve the economic crisis. There was a warning to destructive minorities in the President's speech. Roosevelt appreciated the contribution of unfair methods of competition to industrial "disorder" and "general chaos" and was determined to discipline the perpetrators: "I can assure you that you will have the cooperation of your government in bringing these minorities to



understand that their unfair practices are contrary to a sound public policy."<sup>78</sup> Such boldness had not been customary during the Hoover presidency. Henry Harriman, who had experience of Hoover's obdurate attitude, was enthusiastic about Roosevelt's "splendid" address, which had left business leaders with the "firm conviction" that the new President was about to lead a successful recovery effort.<sup>79</sup>

Himmelberg also makes the point that the N.I.R.A. was not solely a response to business pressure for antitrust law reform but was the result of "an interplay" between advocates of various recovery strategies such as deficit spending and industrial subsidies.<sup>80</sup> Nevertheless, the inclusion of industrial planning features in the recovery bill was accomplished by vigorous business lobbying during the first months of the Roosevelt administration.

Business spokesmen used the debate inaugurated by the Black bill to broaden the discussion of industrial recovery. On 28 April, a conference of 400 delegates, representing 94 industrial associations, convened in Washington under the auspices of the N.A.M. The purpose of the conference was to publicise industry's objections to the Black bill and present the case for congressional consideration of antitrust law revision.<sup>81</sup> Shortly after the conference dispersed a select group of manufacturers affiliated with the Association petitioned President Roosevelt to support a supplement to the Black bill which would permit

78. Address before United States Chamber of Commerce, 4 May, 1933, P.P.A., op.cit., 2: 156-157.

79. Henry I. Harriman to Franklin D. Roosevelt, 6 May, 1933. O.F. 105. F.D.R.L.

80. Himmelberg, Origins of the National Recovery Administration, op.cit., 181.

81. National Association of Manufacturers, 'Governmental Control of Industry - and Industry's Alternative', Press Release, 2 May, 1933. Copy in R.G. 40 File 94649.

cooperative agreements between producers, subject to government approval and pending a congressional investigation of the antitrust statutes.<sup>82</sup> Henry Harriman sought to use the administration's interest in the Perkins 'substitute' to advance the case for government permission of inter-firm agreements, and on 1 May, advised the President that trade associations provided the "ideal machinery" for regulating wages and hours as well as prices.<sup>83</sup> As administration policy veered in this direction early in May, an encouraged Harriman reassured Roosevelt that "the psychology of the country is now ready for self-regulation of industry with government approval of agreements reached". Harriman's previous misgivings about governmental interference in the conduct of industry seems to have been subsumed as the prospects of antitrust revision became more promising. In fact he was more concerned that any legislation should be of a permanent nature and not expire with the end of the emergency. "When prosperity has returned," Harriman warned, "selfishness or self-interest ... may have again asserted itself to such a degree that a sound law cannot be passed."<sup>84</sup>

The business press welcomed what Steel referred to as the "great change" in government's attitude to industry during the first week of May. "Threats of restrictions" had been replaced by "the olive branch of assistance" as the administration jettisoned the Black bill and sought other means to accomplish recovery objectives.<sup>85</sup> Iron Age reported that steelmakers generally favoured the direction in which

82. Wilson Compton et al. to M.H. McIntyre, 2 May, 1933. O.F. 98. F.D.R.L.

83. Henry I. Harriman to Franklin D. Roosevelt, 1 May, 1933. O.F. 105. F.D.R.L.

84. Henry I. Harriman to Franklin D. Roosevelt, 11 May, 1933. O.F. 466. F.D.R.L.

85. Steel 92 (8 May, 1933): 11.

government policy seemed to be heading. The journal itself, excited by the legislative possibilities, abandoned its previous moderation on the issue of antitrust law revision and demanded repeal rather than liberalisation: "Their outmoded structures have become merely a breeding ground to protect and propagate the price cutting vermin which gnaw away the foundations of wages and earnings and which the great majority of our people of all classes would be glad to see exterminated."<sup>86</sup> Surveying the developments of May, Coal Age was satisfied with the administration's bill and perceived its significance. "Ragged survivors of the school of rugged individualism will find no comfort in the National Industrial Recovery Bill," the journal asserted.<sup>87</sup>

The task of allaying fears within the business community about a 'partnership' with government was faced squarely by business spokesmen. Steel argued that it was "the only recourse left" to eliminate "ruthless competition" through inter-firm agreements. Although the journal had reservations about government surveillance of agreements and the licensing powers to be granted to the President, such radical expedients represented positive action and a recognition that "industry itself has not been able to pull itself out of the rut".<sup>88</sup> Charles M. Schwab, chairman of the American Iron and Steel Institute, characterised the Roosevelt administration's response to the economic crisis as "more vigorous and more effective than any other we have witnessed in modern times" and was confident that the President would use his powers "sanely and constructively".<sup>89</sup> Nation's Business defended

86. Iron Age 131 (18 May, 1 June, 1933): 793-794; 871-874.

87. Coal Age 38 (June, 1933): 173.

88. Steel 92 (8 May, 1933): 20; Ibid. 92 (15 May, 1933): 11; 20.

89. Iron Age 131 (1 June, 1933): 853.

administration policy as providing "a recognized working partnership with the people" which would liberate the "genius and character of organized business".<sup>90</sup> The consequences of reluctance on the part of business to cooperate with government in its programme was a leading theme of the Chamber of Commerce's annual convention which was held in the first week of May. Speakers such as Gerard Swope and Paul W. Litchfield stressed that the alternative to a partnership with government was the domination of business by the state which would be compelled to expand its own powers to stabilise industry and employment. "If industry does not see its opportunity and embrace it, it will be done from without," Swope advised. "The alternative, therefore, is not shall it be done, but by whom it shall be done; shall it be done by the government with its necessarily more rigid procedure and therefore less efficiently, or shall it be done by industry itself, which knows its problems intimately, with the cooperation of the government to see that the public interest is protected?" Litchfield echoed Swope's comments: "If we are to save our traditional freedom for the future, it is probable that we must make substantial concessions to what we have in past classified as the more radical school of thought." Before dispersing, the convention adopted resolutions endorsing a partnership between business and government but which stipulated that "those who are best equipped to solve the problems of industry, are those who themselves are engaged in industry".<sup>91</sup> Nation's Business captured the distinction between concessions and submission to government in its review of the convention proceedings. The journal described the convention as the Chamber's "coming of age

90. Nation's Business 21 (June, 1933): 11.

91. New York Times, 4, 6 May, 1933.

meeting": "But it was a step forward on a well-mapped road, not a step to one side into new fields of governmental direction and control of industry and commerce."<sup>92</sup>

Naturally, the business community's response to the industrial recovery proposal was not one of wholehearted approval, and spokesmen pressed for changes during the hearings conducted by both House and Senate between 18 May and 1 June. The N.A.M. was particularly forthright in its criticisms of the measure. On 13 May, a steering committee of the Association, headed by the Manufacturers' president, Robert L. Lund, conferred for three hours with the framers of the bill, and according to The New York Times, approved of the principles contained in it. O. Max Gardner, the former Governor of North Carolina and one of the manufacturers' representatives, described the bill as "the most far reaching piece of legislation in American history".<sup>93</sup> By 17 May, however, the manufacturers had modified their position. Lund revealed to the press that his organisation had significant reservations about the proposal. The licensing features were too draconian; there was need of provision for loans to industry and import controls, and the labour aspects threatened harmonious relationships between employer and employee. "No legislation has carried such possibilities of good or evil," Lund asserted.<sup>94</sup> Lund's comments were reiterated by James Emery before the Senate Finance Committee on 29 May.<sup>95</sup> The manufacturers felt unable to support the measure in the form proposed.

92. Nation's Business 21 (June, 1933): 13.

93. New York Times, 14 May, 1933.

94. Ibid., 18 May, 1933. See also Robert L. Lund to Daniel C. Roper, 27 May, 1933. R.G. 40 File 94649.

95. U.S. Congress, Senate, Committee on Finance. Hearings on S. 1712 and H.R. 5755, National Industrial Recovery, 73rd Congress, First Session, 1933: 274-275; 277; 284-285; 288-289.

Section 7 (a) was the major point of contention, especially since William Green had secured changes from the House Ways and Means Committee which incorporated into the text explicit prohibitions of any requirement for a worker to join a company union and for an employer to interfere with the organisation of unions or the selection of representatives.<sup>96</sup> Spokesmen for the steel industry, in particular, protested vigorously before the Senate Finance Committee. C.L. Michael, Charles Hook and Robert Lamont defended the company union and warned of the likelihood of the closed shop if the bill were passed in the form approved by the A.F. of L.<sup>97</sup> According to Iron Age, the amendment had "greased the skids" for industry's approval of the recovery bill since businessmen would be unwilling to support a blatant attempt by organised labour to "recruit its depleted exchequers" through a government-assisted union membership drive.<sup>98</sup>

Such invective was merely tactical, however, and represented an attempt by business spokesmen to secure desired amendments to the recovery bill. Generally, industry supported the bill to receive permission to make inter-firm agreements without the fear of antitrust prosecution. Even the prospect of government approval and surveillance of the agreements did not deter the business community. In effect, it had been from this quarter that the industrial planning features of the industrial recovery bill had stemmed. Business groups had seized the opportunity presented by Hoover's electoral defeat and his replacement as chief executive by the more amenable Roosevelt, and the volatile political and economic circumstances of the spring months

96. U.S. Congress, House, Committee on Ways and Means, Hearings on H.R. 5664, National Industrial Recovery, 73rd Congress, First Session, 1933: 117-118.

97. Hearings, National Industrial Recovery (Senate), op.cit., 378-380; 389-390; 394-395.

98. Iron Age 131 (8 June, 1933): 917.

of 1933, to gain serious legislative consideration for their associational ambitions. One barrier remained for the advocates of antitrust revision and the realisation of business planning goals: the attitude of Congress, which had been a stumbling block during the 72nd Congress.

Consideration of the recovery bill began in the House of Representatives on 25 May and ended with Senate's approval of the joint conference report on 13 June. The thrust of congressmen's remarks during the debates revealed a strong disposition to take decisive action against the depression despite serious reservations about the particular proposals sponsored by the administration.

Much of the discussion in the House focussed on the bill's taxation features and the powers which it conferred on the President. Roosevelt had failed to make any provision for the raising of the necessary revenue to finance the public works projects of Title II of the bill, and the responsibility devolved on the House Ways and Means Committee. The Committee's proposals, which included sales, gasoline and graduated income taxes, were described as inequitable and socially-biased by Republican congressmen, and the President was indicted with irresponsibility for avoiding the problem. Allen T. Treadway (Massachusetts) believed that the President had anticipated the "popular disfavor" that increased taxation would occasion and "passed the buck to us".<sup>99</sup> Roosevelt's conduct made Republicans doubtful about conferring such substantial powers on the President as were contained in the recovery bill. Republicans were concerned that Roosevelt would be empowered not only to establish agencies, appoint officers and delegate authority to execute the purposes of the bill,

99. Congressional Record 77, 73rd Congress, First Session, 1933: 4329.

but to impose codes of fair competition upon industry and license business enterprises if the need arose. James H. Beck (Pennsylvania) believed that Congress would be "submitting a 'depotism' for a free nation" if it passed the measure, and by expanding the powers of the executive, would emasculate its own authority. "This Congress will be merely a debating society, and the Executive will be master of the destinies of the American people." Beck's position was well supported. James W. Wadsworth, Jr. (New York) warned that the bill's enactment would result in the end of individualism and liberty, and the substitution of "the hard, heavy, cold hand of bureaucracy". Frank Crowther (New York) was more florid in his imagery. The power conferred on the President by the recovery measure would make "the distinguished dictator, Mussolini, look like an Egyptian mummy".<sup>100</sup>

Another point of friction was the bill's temporary suspension of the antitrust laws, a subject about which Democrats were especially sensitive. Well before the bill reached Congress a group of Democratic congressmen led by Joseph B. Shannon (Missouri), Wright Patman (Texas), William D. McFarlane (Texas) and Edgar Howard (Nebraska) attempted to commit their party to opposition to antitrust law reform. At the Democratic caucus of 10 May, McFarlane and Howard offered resolutions against any revision of the antitrust laws, but according to The New York Times, they were withdrawn "in the face of overwhelming defeat", and the caucus adopted a resolution supporting the President and his policies.<sup>101</sup> In the event, those Democrats such as Emmanuel Celler (New York), Fred M. Vinson (Kentucky) and Herman P. Kopplemann

100. Ibid., 4212-4213; 4334; 4348.

101. New York Times, 10, 11 May, 1933.



(Connecticut) who spoke to the bill's antitrust features, supported change but were at pains to reassure their fellows that the bill did not presage a cartelised economy. "The War Industries Board did not injure the Constitution nor will the National Industrial Recovery Act," Celler contended.<sup>102</sup> However, many Democrats must have had deep reservations about supporting a bill which challenged their party's long-standing convictions.

Many Representatives set aside scruples and doubts to support the measure in the hope that it might stimulate recovery. This is best illustrated in the case of those Republicans who voted for the recovery bill despite making fundamental criticisms of it. They were motivated by a paramount consideration - that of affording relief to labour and industry. Thomas A. Jenkins (Ohio) was anxious about conferring such extensive power on the President but felt obliged to vote for the measure because of its potential in providing relief to industry and workmen. "I am lending my support to the measure," Jenkins explained, "from the purest motives and with the hope that we can again bring happiness to millions who are now distressed." Representative Treadway also supported the measure, despite his objections to the taxation proposals and presidential conduct. The bill presented the only available remedy for the depression:

A balloon has been sent up which may or may not aid industry and return people to work. We have tried various expediences without success. Here is a new lotion. Try it. Try anything.

William E. Evans (California) voted for the bill "entirely on the ground of the emergency with which we are confronted" and found comfort

102. Congressional Record 77, 73rd Congress, First Session, 1933: 4339.

in only one of the bill's features: "And that is that it expires in two years".<sup>103</sup> Apprehension pervaded the ranks of Republican congressmen. Basically they felt unable to fathom the implications and consequences of the bill, but many were determined to support the proposal for the want of anything better. In summing up his own position on the recovery legislation, Harold McGugin captured the bewilderment of congressmen, yet the determination that something be done:

On the bill itself no man knows whether the enactment of the measures means that it is merely a temporary program which leads us out of our present distress back to traditional Americanism, or leads us on to greater fields of communism. At the same time, no man knows whether standing still now will save traditional Americanism or lead us on into still greater economic and social chaos. For my part, I choose to take the bill.<sup>104</sup>

As James Wadsworth remembered, the recovery bill was passed in a climate of crisis: "It was an atmosphere of hysteria and of desperation ... Something must be done to cure this depression!"<sup>105</sup>

Senators paid more attention to the underlying associational nature of the recovery bill. Criticism was more searching and more effective in that critics successfully sponsored an amendment to the administration's bill which declared that codes of fair competition should not sanction "monopolistic practices". Dissent from the bill was also bi-partisan; the leading critics being Huey Long and William E. Borah.

For Long, the recovery bill was a denial of the Democratic Party platform and of the Black bill, which he believed the party platform favoured. The objectives of the new legislation and those of the

103. Ibid., 4324; 4331; 4347.

104. Ibid., 4332.

105. James W. Wadsworth, Jr., 'Reminiscences', Columbia University Oral History Project: 398.

Black bill were the same, Long reasoned, but by waiving the antitrust laws the recovery bill had introduced a novel and undesirable element. "You might as well have told a turkey to hatch out a turkey, and had it hatch out a rattlesnake," he informed Senator Black, "as to bring this thing in here and say that it is the same thing as the Black bill." Long believed that the ends did not justify the means. The code-making process would create new elites and necessitate the employment of "hundreds of thousands of agents" who would dictate price and production schedules to the small entrepreneur. Long was convinced that the "little man" would not be adequately represented in code-making and would be unable to promote his own interests. Even if small businessmen did attend the conferences, Long argued, they would not know "any more about prescribing one of these codes than a hog does about a sidesaddle". The outcome would be the domination of the code-making process by a select group which would formulate provisions with complete disregard for the welfare of the "little man". Consequently, Long urged his fellow senators to refrain from "blind voting" in support of a bill whose results, at best, were unpredictable. "You have no more idea what you are voting for under this bill than what you are going to meet in the night-time a thousand miles away," Long challenged.<sup>106</sup>

Borah was similarly concerned about the fate of the small entrepreneur once the protection of the antitrust laws had been removed. "The reigns are taken off monopoly, a restraint of trade all along the line," Borah wrote. "I can not believe these things are wise."<sup>107</sup>

106. Congressional Record 77, 73rd Congress, First Session, 1933: 5162; 5174; 5178-5179.

107. William E. Borah to R.H. Young, 30 May, 1933. Borah MSS: Box 348.

The emergency repeal or modification of the antitrust statutes would be irrevocable and would foster "an ultra-concentration of wealth" in the country. "We are to have combines as large as the industry itself," Borah advised, "and any man in the industry who does not go along ... may be put in jail."<sup>108</sup> He believed that the industrial recovery bill was not designed to assist the constituencies which needed most help. Rather, it would damage the interests of the consumer by raising industrial prices and jeopardise the integrity of independent business through compliance to the dictates of the code authorities.<sup>109</sup> In a letter to the Western Pine Association, Borah gave a succinct summary of his attitude to the recovery bill: "I am opposed to the bill in any shape or form. It is wrong in principle. It will be vicious in effect."<sup>110</sup>

Spokesmen for the administration countered by arguing that the purposes of the bill were to stimulate re-employment and strengthen the competitive system. Robert Wagner set the trend in his testimony before the Senate Finance Committee. He described the bill as having "as its single objective the widespread and permanent re-employment of workers at wages sufficient to secure comfort and a decent living". As for the bill's references to the organisation of American industry, Wagner argued that while it was innovatory in its conception of business-government relations, it did not intend to abolish competition, but make it "rational".<sup>111</sup> When he introduced the bill in Senate, Wagner

108. Congressional Record 77, 73rd Congress, First Session, 1933: 5162.

109. William E. Borah to Byrd Trego, 1 June, 1933. William E. Borah to William B. Ball, 2 June, 1933. William E. Borah to H.H. Cummins, 9 June, 1933. Borah MSS: Box 348.

110. William E. Borah to Western Pine Association, 2 June, 1933. Ibid.

111. Hearings, National Industrial Recovery (Senate), op.cit., 1-2. Author's emphasis.

characterised it as "an employment measure", and attempted to allay fears about monopolisation by arguing that in the past the antitrust laws had fostered monopolies by making it imperative that firms merge to avoid excessive competition. The measure intended to promote the integrity of the independent firm by giving it the legal right to make agreements with other firms in order to stabilise its operations. "Sooner or later," Wagner contended, "it will be understood by senators that this is a bill to protect the small businessman against the predatory practices of large business."<sup>112</sup> However, many senators remained sceptical, and under the instigation of William Borah, the bill was amended to provide that no code of fair competition should promote monopolies or monopolistic practices.

The Senate's consideration of the recovery bill replicated that of the House in that despite serious reservations, senators voted to pass the measure. Again, the context of crisis was instrumental in determining senators' priorities. George W. Norris indicated the tensions experienced by senators, in appraising the recovery bill to a constituent on 5 June. Norris began by conceding that antitrust changes were undesirable unless they were imperatively necessary. He proceeded to argue that current economic conditions justified radical expedients. "We are confronted with conditions now, which have never before confronted civilized men," Norris asserted. "I am of the opinion that in some instances it will be necessary to modify our anti-trust laws, if we are to carry legislation that will improve conditions." He appreciated that the programme contained manifold dangers of an economic, social and legal nature: "I say this may not

112. Congressional Record 77, 73rd Congress, First Session, 1933: 5152; 5238.

work. But we must do something .... If we do not do something of this kind, what will we do?" Norris's conclusion typified senators' appreciation of the emergency conditions which dictated support for measures that in normal circumstances would have been rejected:

It seems to me every fair-minded person must realize that to sit idly by and do nothing would mean that our entire civilization would go down in chaotic failure. I do not think the future is all bright by any means; I realize that in trying any of these remedies, we must be careful to avoid dangers which lurk in the pathway, but I am convinced that these laws, harsh though they may seem to be, are nevertheless necessary if we are to save our government and our civilization.<sup>113</sup>

Senate passed the recovery bill on 13 June and the President added his signature three days later. To use the phrase of Robert Wagner, legislation had "swung the baton" by inaugurating "a controlled experiment" in planned economy.<sup>114</sup> Daniel Roper recognised that the measure represented "the first step in a radical change in public policy toward the conduct of private industry in the United States".<sup>115</sup> The President himself stressed the centrality of the business community to the success of the Act: "It is a challenge to industry which has long insisted that, given the right to act in unison, it could do much for the general good which has hitherto been unlawful. From today it has that right."<sup>116</sup>

Business spokesmen regarded the N.I.R.A. as a triumph for the forces of business self-government. Henry Harriman believed that the Act marked "the beginning of a new business dispensation" while Robert

113. George W. Norris to Clarence M. Westbrook, 5 June, 1933. Norris MSS: Box 42 File, Anti-Trust Laws.

114. Robert F. Wagner, 'Planning in Place of Restraint', Survey Graphic 22 (August, 1933): 395.

115. Memorandum to the President from the Secretary of Commerce, 6 June, 1933. R.G. 40 File 94694.

116. P.P.A., op.cit., 2: 252.

Lund was gratified that industry had received the right to "police itself against ruthless competition".<sup>117</sup> "The Act will very properly encourage industrial planning by industry for the joint benefit of itself and of its labor," Harriman contended.<sup>118</sup> Textile World described the Act as initiating "an experiment of the first magnitude": "In our opinion, no piece of legislation passed within our memory has been fraught with more significance, or has promised to make more history, than the National Industrial Recovery Act."<sup>119</sup>

Organised labour welcomed the N.I.R.A. not only for the particular advantages which it conferred upon the trade union movement. Labour spokesmen were impressed by the underlying assumptions of the Act. William Green referred approvingly to its recognition of the mutuality of interests between economic groups and the partnership envisaged between these interests and government to advance the general welfare.<sup>120</sup> The American Federationist greeted the Act's emphasis on economic planning as a superior synthesis between traditional values and innovation. "By providing for individual initiative disciplined by group decision and concerted action, and guided by wider understanding of the interdependence of all economic interests, we may enter this new period of history hopeful of finding new levels," the journal reflected.<sup>121</sup>

117. New York Times, 14, 25 June, 1933.

118. Henry I. Harriman, Now It Can Be Told: Statement Regarding Recent Legislative Enactments (Washington, D.C., 1933): 13.

119. Textile World 83 (June, 1933): 47.

120. New York Times, 25 June, 1933.

121. American Federationist 40 (June, 1933): 567-568.

Old progressives despaired of the Act. Borah believed that it had dealt "the final blow" to the antitrust laws and that the business community had achieved its long-standing ambition of a cartelised economy. The Act might stimulate a temporary economic revival, but it would be accomplished at the expense of the masses for "the price fastened upon the great body of the people will amount to nothing less than a crime".<sup>122</sup>

Collectivists were only partially satisfied with the measure. The New Republic was disappointed that it did not advance a holistic conception of planning but relied upon planning by single industries. This involved the risk of "turning over the United States to the big corporations" and condoning production restriction and price maintenance at a time when industrial prices were already too high. The Nation commended the administration's aims but was dubious about the consequences of business self-government given the abject record of businessmen in providing enlightened responses to the depression. "Like the Bourbons, they have learned nothing and forgotten nothing," the journal contended. However, both journals viewed the Act as a milestone in the evolution of a planned society. For The Nation, the measure was "a promising first step .... But it is no more than that." The New Republic hoped that the Act would mark "the beginning not merely of recovery but of a collectivization of the economic system". The Act had acknowledged the bankruptcy of laissez-faire, the journal believed, and had committed the United States to national economic planning and control:

122. William E. Borah to George L. Record, 19 June, 1933. Borah MSS: Box 348.



Future struggles will not concern the question whether we are to have a system regulated automatically by 'economic laws' or a system consciously administered. They will concern the immensely important questions of what kind of planning we shall have, what objectives it shall seek, what instruments it shall use and what classes shall control it.<sup>123</sup>

Whatever the future prospects for industrial planning, all interested parties recognised that the N.I.R.A. was a victory for the business community and its concept of trade associationism. Assisted by the deteriorating economic circumstances, the political changes of November 1932, and the context of crisis which confronted the new administration and Congress in the spring of 1933, the business lobbies seized the opportunity to gain legislative sanction for their associational aspirations.

123. New Republic 74 (10 May, 1933): 350-351; Ibid., 75 (31 May, 1933): 57-58. Nation 136 (7 June, 28 June, 1933): 629-630; 711. See also George Soule, 'The New Deal in Practice', New Republic 75 (5 July, 1933): 199.

## CONCLUSION

The National Industrial Recovery Act's immediate purpose was to stimulate economic recovery and it was due to expire after two years, or upon a joint declaration by the President and Congress that the economic emergency had ended. However, according to Roosevelt, the Act had another important, if secondary, objective: "To plan for a better future for the longer pull." On signing the measure, Roosevelt characterised it as "the most important and far-reaching" legislation ever enacted by Congress since it was intended to "stabilize for all time" business conditions in the United States. His supplementary statement on the N.I.R.A. reinforced the impression that the Act marked a turning point in the American political economy. The President twice evoked the powerful symbolism of the wartime experience to give effect to his remarks about cooperative, national planning and he concluded by posing a rhetorical question, the bias of which struck a discordant note with the tenets of competitive individualism. "Must we go on in many groping, disorganized units to defeat," Roosevelt declared, "or shall we move in one great team to victory?"<sup>1</sup>

The Act was the product of a reappraisal of the sources of American economic development and the conduct of public policy which took place during the early years of the depression. Its declaration of policy was preoccupied with similar concerns to those of business spokesmen and their organisations, the labour movement, intellectuals, and politicians who had provided critical perspectives on the political economy throughout Herbert Hoover's presidency. Industry was to be rehabilitated by fostering cooperation between labour and management under government

1. P.P.A., op.cit., 2: 246; 251-256.

supervision; by curbing unfair competitive practices in industry and stabilising production; by reducing and relieving unemployment, increasing purchasing power and improving conditions of labour, and conserving natural resources.

The mechanisms which the Act employed to achieve these ambitious goals reflected a conviction that economic problems could be rectified only through the systematic application of management and planning principles to the economy at the national level. Title II provided for the expenditure of \$3.3 billion of public funds on public works and construction projects; Title I, section 9 provided special rules for the regulation of the oil industry, while section 7 of the same Title granted labour the right of collective bargaining and established the principles of maximum hours and minimum rates of pay in industry. However, the principal mechanism through which the Act's policy would be effected was contained in sections 3-6 of Title I. Business organisations were given the opportunity to design codes to regulate competition within their industries and to submit them to the President for his scrutiny. If the codes received presidential approval they would be granted exemption from the antitrust laws and would become binding on all members of the industries concerned.

In certain respects the Act reflected the principles and the strategies of voluntary associationism. It conformed to Hoover's view of the importance of associations in achieving both the short-term goal of economic recovery and the long-term aim of industrial stabilisation. The principle of associationism underlay the Act's encouragement of both trade associations and labour unions, and in each case the right to initiate organisation was reserved to business and labour and not to government. While the Act fostered associationism it did not seek to stifle the competitive principle which was a central tenet of voluntary associationism. Instigated by Senator Borah,

an amendment was incorporated into the measure - in Section 3a - which sought to prevent the development of either monopolies or monopolistic practices under the codes of fair competition. Finally, Hoover's emphasis on work-sharing as a counter-depression strategy found expression in Section 7 of Title I of the Act. All codes were obliged to incorporate the labour provisions of Section 7 and to stipulate maximum working hours for employees.

However, the N.I.R.A. diverged from the principles and the practice of voluntary associationism in several, crucial respects. Hoover had been unprepared to foster associationism in business and industry by making changes in the antitrust laws because of his fear that competition would be compromised. Section 5 of the N.I.R.A., however, temporarily suspended the antitrust laws for approved codes and agreements. The Act was based on the assumptions that excessive competition was detrimental to the public interest and that incentives had to be provided for the effective organisation of industry. Also, the powers granted to the President to organise industry went beyond Herbert Hoover's conception of both the proper functions of the chief executive and the role of government in the economy. Section 3a provided for presidential authorisation of the codes of fair competition before they were effected and stipulated conditions that the codes would have to meet to secure approval. Beyond this supervisory role provided for the government by the Act, the President was given the authority, under Section 3d, to prescribe codes if any trade or industry failed to assume the initiative, while Section 4a enabled the President to sanction agreements between persons and groups which would supplement the codes and further the purposes of the act. The law's enforcement features elaborated presidential power. In particular, the licensing features of Section 4b gave the President the power to regulate the operations of business

enterprises. Such a mandatory emphasis was alien to voluntary associationism. However, by 1933, it had become clear to the Act's sponsors that any scheme for industrial planning which did not involve a surrender of traditional liberties and a larger role for government, would be likely to be unsuccessful.

While the N.I.R.A. marked a departure from Herbert Hoover's doctrine of voluntary associationism, it did not fully conform to the prescriptions of organised labour and the intellectuals for industrial planning. Throughout the first phase of the depression, those groups had stressed that the Federal Government should assume a prominent role in the planning process and their demands were partially satisfied by the N.I.R.A. The law granted the President the power both to establish agencies to further the purposes of the Act and to approve or stipulate codes of fair competition, and provision was made for ongoing surveillance by the Federal Government of the operation of the codes. Furthermore, the government's powers over industry were increased through the Act's enforcement provisions. Section 3b provided that codes approved by the President became legally binding and that violations were to be defined as 'unfair methods of competition' under the Federal Trade Commission Act. Section 4b authorised the President to license business enterprises if he deemed it necessary to make effective a code of fair competition or to prevent any destructive practices in industry which were contrary to the spirit of the law.

Despite the substantial role of government in industrial planning provided by the N.I.R.A., the Act eschewed central planning in favour of a decentralised, industry-based alternative which was to be conducted through trade associations under government supervision. The furthest that the Roosevelt administration was prepared to go in creating a central planning agency was to establish the Special Industrial Recovery Board in June 1933, which was superseded by the National Emergency Council on 17 November of the same year. However, these agencies did not initiate policy as much as they coordinated and facilitated the work of various government authorities such as the National Recovery Administration, the Agricultural Adjustment Administration and the Federal Emergency Relief Administration. By giving permission to trade associations to make inter-firm agreements, with reasonable exemption from the antitrust laws, the industrial planning aspects of the Act resembled most closely the approach of trade associationism as advanced by the business community during Herbert Hoover's presidency.

The implementation of trade associationism as public policy in the N.I.R.A. was a result, in the short term, of the political and economic circumstances which surrounded Roosevelt's election and inauguration. The change of administration removed the major political barrier to the realisation of the business community's ambitions since Hoover had resisted the efforts of reformers who sought to inaugurate a planned society by making changes in the Laws. In contrast to

Hoover, the incoming president had expressed a readiness to experiment with economic policy, although at the outset, his administration was committed to no specific planning strategy. The economic crisis of the spring of 1933 provided the context in which business lobbies could operate effectively on behalf of antitrust reform and smoothed congressional approval for the necessary changes in the laws. The success of trade associationism in 1933, then, was due to the removal of political obstructions which had previously handicapped the business community in its efforts to translate its planning ambitions into public policy.

From a longer-term perspective, trade associationism emerged out of a reappraisal of the political economy which was conducted by leadership groups during the early years of the depression and the interaction that occurred between various approaches to industrial planning and the political process. By 1933 the issue of whether or not a planned economy was desirable was less in doubt than the most appropriate form that planning should take, and the new administration's options were largely influenced by Americans' consideration of, and experimentation with, industrial planning during the previous four years.

The Hoover approach of voluntary associationism was the only national industrial planning strategy to achieve the status of public policy before June 1933. Implemented through public agencies such as P.E.C.E. and P.O.U.R., and private organisations such as the National Business Survey Conference and The Share-the-Work Movement, Hoover's favoured approach relied upon voluntary initiative in the private sector to promote recovery and stabilise business conditions. The role of government was limited to providing information and exhortation, and coordinating these decentralised initiatives.

Dissatisfaction with Hoover's strategy had been evident since 1930 and grew as the depression intensified. The dismal failure of Walter Teagle's organisation during the last months of Hoover's administration confirmed the doubts of many critics about the effectiveness of voluntary associationism. By 1933, even the business community had come to accept a modicum of government regulation, and welcomed government sanctions to ensure observance of rules of fair competition throughout industry.

While experience had demonstrated the weaknesses of voluntary associationism, it suggested also that central planning of the type favoured by intellectuals and organised labour was not politically viable. The LaFollette hearings of 1931 had revealed the limited constituency which supported the establishment of a national economic council. Although LaFollette's bill was moderate in tone because it stressed the advisory nature of the proposed council, the proposal had radical connotations. The business community, in particular, was reluctant to support the bill because spokesmen feared that an economic council might serve as an entering wedge for government to assume a commanding role in the economy. During 1932 the movement to establish a central council began to dissipate after the LaFollette hearings indicated that this strategy was unable to achieve the necessary consensus in its favour which was vital to its political success. One further factor militated against the adoption of a central planning strategy by the Roosevelt administration. Neither the agencies nor the expertise existed to inspire much confidence in this approach given the context of the emergency conditions of 1933. Central planning of the type advocated by collectivists such as Stuart Chase and George Soule remained, as some academic economists termed it, utopian.



The case for experimentation with trade associationism as public policy, however, was relatively persuasive. Proponents of this approach had an advantage over the central planners in that they could claim that the mechanisms for planning were already developed and that businessmen were well-versed in their practices. Unlike voluntary associationism, trade associationism had not been tried as public policy and was not tainted with the stigma of failure. Also, a powerful lobby supported revision of the antitrust laws to facilitate trade association activities, and the case for trade associationism had been buttressed by the development of a battery of cogent arguments in its favour and by the copious publicity which they had received during previous years. By 1933, the ground had been well prepared for the public and political acceptance of trade associationism. Finally, trade associationism claimed a broad range of support. While the voice of business was dominant in the movement for revision of the antitrust laws, the approach was favoured by both organised labour and the intellectuals and had even been endorsed, in limited form, by Herbert Hoover. Trade associationism, then, was able to meet the criterion of consensus, and by 1933 it had become the least common denominator which united planners of diverse persuasions.

Professor D.K. Adams has questioned the validity of applying "isms" to the New Deal and suggests that the essence of New Deal ideology lies in the way in which it tempered and synthesised diverse, and often conflicting, ideas and credos.<sup>2</sup> Indeed, while trade associationism was central to the industrial planning strategy employed by the N.I.R.A., the Act did not slavishly affect the demands of the

2. D.K. Adams, Franklin D. Roosevelt and the New Deal (Saffron Walden, 1979): 24

business planners. The measure's scope was broader than that of trade associationism and included features, such as the labour and public works provisions, which were unacceptable to many business spokesmen. Furthermore, the Act provided a major role for government in the industrial planning process. In doing so, it reflected both the concern, shared by Hoover, that unsupervised trade associations, freed from the restraints of the antitrust laws, would develop practices which were inimical to the public interest, and the collectivists' conviction that the Federal Government should ensure that economic development accomplish stipulated social goals. These modifications typify both the New Deal's flexibility and adaptability, and the intention of the Roosevelt administration to commit the Federal Government to responsibility for economic development and social progress. They typify, also, the New Deal's ambivalence to the 'monopoly' issue, since the role that the N.I.R.A. assigned to government could be interpreted either as guardian of competition or as agent of concentration and control. The tension was never resolved, as Ellis Hawley has noted, and the National Recovery Administration was to be hampered by inconsistencies in the interpretation of government's role until the agency's eventual demise in 1935.<sup>3</sup>

Professor Adams has noted how the New Deal's concern with policy was paralleled by an acknowledgement of political realities, and that while the Roosevelt administration was prepared to challenge entrenched ideas and interest groups it was ever sensitive to the

3. Hawley, *The New Deal and Monopoly*, op. cit., 72-110.

power and functions of established interests.<sup>4</sup> In the N.I.R.A the criteria of policy and politics coincided. Its aims of promoting both short-term economic recovery and the long-term stabilisation of industry through national planning reflected the consensus that had developed amongst leadership groups in the United States, during Hoover's presidency, which was critical of the nature of the contemporary political economy and which sought to adapt private and public institutions to manage American economic development. The trade association strategy, which was central to the achievement of the Act's goals, also met the criterion of political acceptability. The limitations of alternative approaches to national industrial planning had been revealed during the first four years of the depression, and the trade association strategy commended influential support. With the modifications to that strategy effected by the Roosevelt administration and Congress which were designed to provide a prominent role for government in the planning process and to protect competition, the strategy of trade associationism could command the same strength of support as did the ideal of national industrial planning. In this sense, the N.I.R.A. represented a resolution of the divisions which had occurred between 1929 and 1933 on the most effective means of implementing national industrial planning.

4. Adams, Roosevelt, op. cit., 23.

APPENDIX

PROPOSALS AND RESULTS OF REFERENDUM NO.58, ON THE REPORT OF THE  
CHAMBER OF COMMERCE'S SPECIAL COMMITTEE ON CONTINUITY OF BUSINESS  
AND EMPLOYMENT

1.	The anti-trust laws should be modified so as to make clear that the laws permit agreements increasing the possibilities of keeping production related to consumption	For: Against: Total: % Favourable:	2,446½ 307½ 2,754 89%
2.	Modification of the anti-trust laws should include provision for government supervision in order that agreements which are not in the public interest in stabilization of business operation and employment may be nullified.	For: Against: Total: % Favourable:	2,092 627 2,719 77%
3.	Businesses desiring to combine should have the opportunity to ascertain from a suitable government authority whether or not the proposed combination will be in violation of the anti-trust laws.	For: Against: Total: % Favourable:	2,433 299 2,732 90%
4.	The principles of a national economic council should be placed into effect.	For: Against: Total: % Favourable:	2,178 494½ 2,672½ 81%
5.	For each field of business a representative trade association should perform the functions of an economic council	For: Against: Total: % Favourable:	2,401½ 278½ 2,680 90%
6.	Aided by increased opportunity for stability of operations, each employer should so plan operations as to assure the greatest possible number of employees there will be work for the greatest possible number of weeks in the year.	For: Against: Total: % Favourable:	2,593 126 2,719 95%
7.	Aided by increased opportunity for stabilization, employers individually and collectively should provide adequate reserves for unemployment and other benefits for their employees.	For: Against: Total: % Favourable:	2,110 493½ 2,603½ 81%
8.	Through trade associations employers should make such reserves and benefits uniform throughout each field of business, in all states.	For: Against: Total: % Favourable:	1,995 575 2,570 77%

9. Unemployment which now exists and may presently occur should be dealt with upon an individual basis, locally, through organisations to that end.	<u>For:</u>	2,586½
	<u>Against:</u>	115
	<u>Total:</u>	<u>2,701½</u>
	<u>% Favourable:</u>	95%
10. Needed relief should be provided through private contributions supplemented by state and local governments, and without any federal appropriations for such purposes.	<u>For:</u>	2,479½
	<u>Against:</u>	194½
	<u>Total:</u>	<u>2,674</u>
	<u>% Favourable:</u>	93%

Source: Silas H. Strawn to Herbert Hoover, 18 December, 1931.  
Pres. Box 96 File, Chamber of Commerce of the United  
States, 1931. H.H.L.

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